REALTEK SEMICONDUCTOR CORPORATION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AND

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

SEPTEMBER 30, 2019 AND 2018

(Stock Code: 2379)

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR19000110

To the Board of Directors and Shareholders of Realtek Semiconductor Corporation

Introduction

We have reviewed the accompanying consolidated balance sheets of R Realtek Semiconductor Corporation and subsidiaries (the "Group") as of September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three-month and nine-month periods then ended, as well as the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

Except as explained in the following paragraph, we conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity" in the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As explained in Notes 4(3) and 6(7), the consolidated financial statements of certain non-significant consolidated subsidiaries, investments accounted for using the equity method and the information disclosed in Note 13 were based solely on the reports prepared by those subsidiaries and investee companies which were not reviewed by independent accountants. Those statements reflect total assets of NT$3,014,962 thousand and NT$3,612,561 thousand, constituting 4.05% and 5.87% of the consolidated total assets, and total liabilities of NT$707,958 thousand and NT$401,271 thousand,

constituting 1.48% and 1.06% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively, and total comprehensive loss of NT$38,531 thousand, NT$28,932 thousand, NT$235,857 thousand and NT$115,746 thousand, constituting (2.07%), (2.11%), (4.26%) and (2.95%) of the consolidated total comprehensive income for the three-month and nine-month periods then ended, respectively. Furthermore, the investments accounted for under the equity method as of September 30, 2019 and 2018 amounted to NT$234,409 thousand and NT$261,609 thousand, respectively, and the related investment loss were NT$3,808 thousand, NT$13,851 thousand, NT$16,120 thousand and NT$37,214 thousand for the three-month and nine-month periods then ended, respectively.

Qualified Conclusion

Except for the adjustments to the consolidated financial statements, if any, as might have been determined to be necessary had the financial statements of certain non-significant consolidated subsidiaries and investments accounted for using the equity method been reviewed by independent accountants, that we might have become aware of had it not been for the situation described above, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of September 30, 2019 and 2018, and of its consolidated financial performance for the three-month and nine-month periods then ended and its consolidated cash flows for the nine-month periods then ended in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

Lin, Yu-Kuan   Tsang, Kwok-Wah

For and on behalf of PricewaterhouseCoopers, Taiwan

October 31, 2019

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Assets	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
	Current assets							
1100	Cash and cash equivalents	6(1)	$ 4,404,208	6	$ 4,309,651	7	$ 7,787,908	13
1110	Financial assets at fair value through profit or loss - current	6(2)	326,876	-	1,321,103	2	872,040	1
1136	Financial assets at amortised cost - current	6(4) and 8	40,258,529	54	31,286,209	54	30,917,302	50
1170	Accounts receivable, net	6(5)	8,987,105	12	5,647,722	10	5,946,092	10
1180	Accounts receivable, net - related parties	6(5) and 7	2,209,129	3	1,772,071	3	1,757,771	3
1200	Other receivables		689,011	1	657,190	1	480,579	1
1210	Other receivables, net - related parties	7	-	-	-	-	219	-
130X	Inventories, net	6(6)	7,900,307	11	5,862,005	10	6,408,940	10
1410	Prepayments		426,575	-	297,327	1	191,947	-
11XX	**Total current assets**		65,201,740	87	51,153,278	88	54,362,798	88
	Non-current assets							
1517	Financial assets at fair value through other comprehensive income - non-current	6(3)	1,774,058	2	1,651,072	3	1,762,910	3
1535	Financial assets at amortised cost - non-current	6(4) and 8	66,434	-	-	-	-	-
1550	Investments accounted for under the equity method	6(7)	234,409	-	261,628	-	261,609	1
1600	Property, plant and equipment	6(8)	3,421,313	5	3,316,578	6	3,202,071	5
1755	Right-of-use assets	6(9)	1,043,968	2	-	-	-	-
1760	Investment property	6(10)	50,541	-	54,868	-	55,405	-
1780	Intangible assets	6(11)	2,326,095	3	1,686,249	3	1,747,423	3
1840	Deferred income tax assets		81,557	-	78,472	-	80,622	-
1900	Other non-current assets		333,302	1	50,169	-	45,836	-
15XX	**Total non-current assets**		9,331,677	13	7,099,036	12	7,155,876	12
1XXX	**Total assets**		$ 74,533,417	100	$ 58,252,314	100	$ 61,518,674	100

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REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)
(The balance sheets as of September 30, 2019 and 2018 are reviewed, not audited)

	Liabilities and Equity	Notes	September 30, 2019 AMOUNT	%	December 31, 2018 AMOUNT	%	September 30, 2018 AMOUNT	%
	Current liabilities							
2100	Short-term borrowings	6(12)	$ 17,900,000	24	$ 14,526,311	25	$ 16,844,795	27
2130	Contract liabilities - current	6(20)	109,237	-	148,696	-	77,728	-
2150	Notes payable		4,594	-	8,657	-	4,594	-
2170	Accounts payable		7,619,700	10	5,635,986	10	5,870,144	10
2180	Accounts payable - related parties	7	303,881	1	249,869	1	266,010	-
2200	Other payables	6(13)	13,671,781	18	7,542,208	13	9,856,694	16
2220	Other payables - related parties	7	77,077	-	69,047	-	72,109	-
2230	Current income tax liabilities		716,568	1	601,614	1	501,822	1
2280	Lease liabilities - current		79,977	-	-	-	-	-
2300	Other current liabilities	6(20)	5,247,654	7	3,719,866	6	3,487,461	6
21XX	**Total current liabilities**		45,730,469	61	32,502,254	56	36,981,357	60
	Non-current liabilities							
2550	Provisions - non-current	6(15)	1,109,256	2	999,868	2	993,947	2
2570	Deferred income tax liabilities		20,568	-	22,310	-	24,576	-
2580	Lease liabilities - non-current		955,155	1	-	-	-	-
2600	Other non-current liabilities		77,706	-	80,983	-	6,630	-
25XX	**Total non-current liabilities**		2,162,685	3	1,103,161	2	1,025,153	2
2XXX	**Total liabilities**		47,893,154	64	33,605,415	58	38,006,510	62
	Equity							
	Share capital	6(16)						
3110	Common shares		5,080,955	7	5,080,955	9	5,080,955	8
	Capital surplus	6(17)						
3200	Capital surplus		2,736,628	4	3,236,659	5	3,229,870	5
	Retained earnings	6(18)						
3310	Legal reserve		4,902,176	7	4,467,099	8	4,467,099	7
3320	Special reserve		-	-	600,443	1	600,443	1
3350	Undistributed earnings		13,072,582	17	10,850,172	19	9,829,353	16
	Other equity	6(19)						
3400	Other equity interest		838,248	1	401,964	-	294,846	1
31XX	**Equity attributable to holders of the parent company**		26,630,589	36	24,637,292	42	23,502,566	38
36XX	**Non-controlling interest**		9,674	-	9,607	-	9,598	-
3XXX	**Total equity**		26,640,263	36	24,646,899	42	23,512,164	38
3X2X	**Total liabilities and equity**		$ 74,533,417	100	$ 58,252,314	100	$ 61,518,674	100

The accompanying notes are an integral part of these consolidated financial statements.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

	Items	Notes	Three-month periods ended September 30 2019 AMOUNT	%	Three-month periods ended September 30 2018 AMOUNT	%	Nine-month periods ended September 30 2019 AMOUNT	%	Nine-month periods ended September 30 2018 AMOUNT	%
4000	**Operating revenue**	6(20) and 7	$ 16,043,111	100	$ 12,085,896	100	$ 44,059,307	100	$ 33,864,155	100
5000	**Operating costs**	6(6) and 7	(9,163,586)	(57)	(6,402,868)	(53)	(24,802,739)	(56)	(18,769,049)	(56)
5950	**Gross profit**		6,879,525	43	5,683,028	47	19,256,568	44	15,095,106	44
	Operating expenses	6(24)(25) and 7								
6100	Selling expenses		(780,509)	(5)	(662,902)	(5)	(2,169,257)	(5)	(1,825,096)	(5)
6200	General and administrative expenses		(411,958)	(2)	(336,664)	(3)	(1,227,502)	(3)	(937,680)	(3)
6300	Research and development expenses		(3,994,770)	(25)	(3,405,496)	(28)	(11,295,761)	(25)	(9,486,813)	(28)
6450	Expected credit gains (losses)	12(2)	(19,855)	-	(837)	-	(23,267)	-	5,266	-
6000	**Total operating expenses**		(5,207,092)	(32)	(4,405,899)	(36)	(14,715,787)	(33)	(12,244,323)	(36)
6900	**Operating income**		1,672,433	11	1,277,129	11	4,540,781	11	2,850,783	8
	Non-operating income and expenses									
7010	Other income	6(21)	382,610	2	356,290	3	1,027,490	2	802,354	2
7020	Other gains and losses	6(22)	36,643	-	(80,931)	(1)	36,047	-	(44,932)	-
7050	Finance costs	6(23)	(41,072)	-	(34,863)	-	(110,881)	-	(102,136)	-
7060	Share of profit of associates and joint ventures accounted for under equity method	6(7)	(3,808)	-	(13,851)	-	(16,120)	-	(37,214)	-
7000	**Total non-operating income and expenses**		374,373	2	226,645	2	936,536	2	618,072	2
7900	**Profit before income tax, net**		2,046,806	13	1,503,774	13	5,477,317	13	3,468,855	10
7950	Income tax expense	6(26)	(124,369)	(1)	(91,923)	(1)	(330,421)	(1)	(214,711)	-
8200	**Net income for the period**		$ 1,922,437	12	$ 1,411,851	12	$ 5,146,896	12	$ 3,254,144	10

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REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)
(UNAUDITED)

	Items	Notes	Three-month periods ended September 30				Nine-month periods ended September 30			
			2019		2018		2019		2018	
			AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	Other comprehensive income, net	6(19)								
	Components of other comprehensive income that will not be reclassified to profit or loss									
8316	Unrealised gains (losses) from investments in equity instruments measured at fair value through other comprehensive income		$ 52,009	1	($ 34,111)	(1)	$ 109,761	-	($ 48,779)	-
8320	Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		132	-	3,389	-	3,717	-	2,453	-
8310	**Components of other comprehensive income that will not be reclassified to profit or loss**		52,141	1	(30,722)	(1)	113,478	-	(46,326)	-
	Components of other comprehensive income that will be reclassified to profit or loss									
8361	Cumulative translation differences of foreign operation		(113,121)	(1)	(12,643)	-	281,594	1	718,500	2
8360	**Total components of other comprehensive (loss) income that will be reclassified to profit or loss**		(113,121)	(1)	(12,643)	-	281,594	1	718,500	2
8300	**Other comprehensive income (loss), net**		($ 60,980)	-	($ 43,365)	(1)	$ 395,072	1	$ 672,174	2
8500	**Total comprehensive income for the period**		$ 1,861,457	12	$ 1,368,486	11	$ 5,541,968	13	$ 3,926,318	12
	Profit attributable to:									
8610	Equity holders of the parent company		$ 1,922,421	12	$ 1,411,851	12	$ 5,146,829	12	$ 3,254,140	10
8620	Non-controlling interest		16	-	-	-	67	-	4	-
	Profit for the period		$ 1,922,437	12	$ 1,411,851	12	$ 5,146,896	12	$ 3,254,144	10
	Comprehensive income									
8710	Equity holders of the parent company		$ 1,861,441	12	$ 1,368,486	11	$ 5,541,901	13	$ 3,926,314	12
8720	Non-controlling interest		16	-	-	-	67	-	4	-
	Total comprehensive income for the period		$ 1,861,457	12	$ 1,368,486	11	$ 5,541,968	13	$ 3,926,318	12
	Earnings per share (in dollars)									
9750	**Basic earnings per share**	6(27)	$ 3.78		$ 2.78		$ 10.13		$ 6.41	
9850	**Diluted earnings per share**	6(27)	$ 3.77		$ 2.76		$ 10.01		$ 6.30	

The accompanying notes are an integral part of these consolidated financial statements.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

		Equity attributable to owners of the parent										
				Retained earnings			Other equity interest					
	Notes	Common shares	Capital surplus	Legal reserve	Special reserve	Undistributed earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Unrealised gain or loss on available for-sale financial assets	Total	Non-controlling interest	Total equity
Nine-month period ended September 30, 2018												
Balance at January 1, 2018		$ 5,065,062	$ 3,558,856	$ 4,127,884	$ -	$ 9,698,159	($ 813,163)	$ -	$ 212,720	$ 21,849,518	$ 9,594	$ 21,859,112
Modified retrospective approach adjustment	6(19)	-	-	-	-	103,142	-	435,835	(212,720)	326,257	-	326,257
Balance at 1 January after adjustments		5,065,062	3,558,856	4,127,884	-	9,801,301	(813,163)	435,835	-	22,175,775	9,594	22,185,369
Net income for the period		-	-	-	-	3,254,140	-	-	-	3,254,140	4	3,254,144
Other comprehensive income (loss) for the period	6(19)	-	-	-	-	-	718,500	(46,326)	-	672,174	-	672,174
Total comprehensive income (loss)		-	-	-	-	3,254,140	718,500	(46,326)	-	3,926,314	4	3,926,318
Distribution of 2017 earnings	6(18)											
Legal reserve		-	-	339,215	-	(339,215)	-	-	-	-	-	-
Special reserve		-	-	-	600,443	(600,443)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,286,430)	-	-	-	(2,286,430)	-	(2,286,430)
Employees' compensation transferred to commom stock	6(17)	15,893	163,692	-	-	-	-	-	-	179,585	-	179,585
Cash from capital surplus	6(17)	-	(508,095)	-	-	-	-	-	-	(508,095)	-	(508,095)
Changes in equity of associates accounted for using equity method	6(17)	-	15,417	-	-	-	-	-	-	15,417	-	15,417
Balance at September 30, 2018		$ 5,080,955	$ 3,229,870	$ 4,467,099	$ 600,443	$ 9,829,353	($ 94,663)	$ 389,509	$ -	$ 23,502,566	$ 9,598	$ 23,512,164
Nine-month period ended September 30, 2019												
Balance at January 1, 2019		$ 5,080,955	$ 3,236,659	$ 4,467,099	$ 600,443	$ 10,850,172	$ 129,811	$ 272,153	$ -	$ 24,637,292	$ 9,607	$ 24,646,899
Net income for the period		-	-	-	-	5,146,829	-	-	-	5,146,829	67	5,146,896
Other comprehensive income for the period	6(19)	-	-	-	-	-	281,594	113,478	-	395,072	-	395,072
Total comprehensive income		-	-	-	-	5,146,829	281,594	113,478	-	5,541,901	67	5,541,968
Distribution of 2018 earnings	6(18)											
Legal reserve		-	-	435,077	-	(435,077)	-	-	-	-	-	-
Special reserve		-	-	-	(600,443)	600,443	-	-	-	-	-	-
Cash dividends		-	-	-	-	(3,048,573)	-	-	-	(3,048,573)	-	(3,048,573)
Cash from capital surplus	6(17)	-	(508,095)	-	-	-	-	-	-	(508,095)	-	(508,095)
Changes in equity of associates accounted for using equity method	6(17)	-	8,064	-	-	-	-	-	-	8,064	-	8,064
Disposal of investments in equity instruments measured at fair value through other comprehensive income	6(19)	-	-	-	-	(41,212)	-	41,212	-	-	-	-
Balance at September 30, 2019		$ 5,080,955	$ 2,736,628	$ 4,902,176	$ -	$ 13,072,582	$ 411,405	$ 426,843	$ -	$ 26,630,589	$ 9,674	$ 26,640,263

The accompanying notes are an integral part of these consolidated financial statements.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine-month periods ended September 30 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		$ 5,477,317	$ 3,468,855
Adjustments			
Adjustments to reconcile profit (loss)			
Depreciation	6(24)	516,581	403,134
Amortization	6(24)	751,927	780,703
Expected credit losses (gains)	12(2)	23,267	(5,266)
Interest expense	6(23)	110,881	102,136
Interest income	6(21)	(947,479)	(693,439)
Dividend income	6(21)	(30,150)	(32,942)
(Gain) loss on financial assets at fair value through profit or loss	6(22)	(4,953)	6,310
Share of loss of associates and joint ventures accounted for using equity method	6(7)	16,120	37,214
Loss (gain) on disposal of property, plant and equipment	6(22)	125	(181)
Other intangible assets transferred to expenses		526	3,798
Changes in operating assets and liabilities			
Changes in operating assets			
Financial assets at fair value through profit or loss - current		1,003,148	(126,917)
Accounts receivable, net		(3,349,059)	(271,341)
Accounts receivable, net - related parties		(430,784)	(480,652)
Other receivables		(60,368)	(54,507)
Other receivables, net - related parties		-	(219)
Inventories		(2,020,499)	(903,414)
Prepayments		(129,248)	77,962
Changes in operating liabilities			
Contract liabilities - current		(39,843)	(25,441)
Notes payable		(4,063)	(4,037)
Accounts payable		1,965,012	1,292,803
Accounts payable - related parties		91,856	(25,745)
Other payables		2,380,901	1,193,123
Other payables - related parties		8,030	32,185
Other current liabilities		1,529,596	713,735
Provisions - non-current		105,133	92,517
Accrued pension obligations		(1,850)	(1,880)

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REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)
(UNAUDITED)

	Notes	Nine-month periods ended September 30 2019	2018
Cash inflow generated from operations		$ 6,962,124	$ 5,578,494
Receipt of interest		976,026	702,476
Receipt of dividend		30,150	32,942
Interest paid		(98,929)	(100,192)
Income tax paid		(225,162)	(63,838)
Net cash flows from operating activities		7,644,209	6,149,882
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at amortised cost		(40,564,403)	(28,886,023)
Proceeds from disposal of financial assets at amortised cost		31,828,528	22,338,547
Acquisition of financial assets at fair value through other comprehensive income		-	(28,000)
Proceeds from disposal of financial assets at fair value through other comprehensive income		939	-
Proceeds from capital reduction of investee accounted for using the equity method	6(7)	17,908	-
Acquisition of property, plant and equipment	6(28)	(593,605)	(404,597)
Proceeds from disposal of property, plant and equipment		-	276
Acquisition of intangible assets	6(28)	(1,200,555)	(563,553)
Increase in refundable deposits		(1,666)	(7,912)
(Increase) decrease in other non-current assets		(303,494)	3,097
Net cash flows used in investing activities		(10,816,348)	(7,548,165)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in short-term borrowings	6(29)	96,069,590	100,634,786
Decrease in short-term borrowings	6(29)	(92,695,901)	(101,842,615)
Lease liabilities principal repayment	6(29)	(69,181)	-
Guarantee deposits (returned) received	6(29)	(1,427)	549
Net cash flows from (used in) financing activities		3,303,081	(1,207,280)
Effect of exchange rate		(36,385)	799,115
Net increase (decrease) in cash and cash equivalents		94,557	(1,806,448)
Cash and cash equivalents at beginning of period		4,309,651	9,594,356
Cash and cash equivalents at end of period		$ 4,404,208	$ 7,787,908

The accompanying notes are an integral part of these consolidated financial statements.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2019 AND 2018
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)
(REVIEWED, NOT AUDITED)

1. HISTORY AND ORGANISATION

Realtek Semiconductor Corporation (the "Company") was incorporated as a company limited by shares on October 21, 1987 and commenced commercial operations in March 1988. The Company was based in Hsinchu Science-Based Industrial Park since October 28, 1989. The Company and its subsidiaries (collectively referred herein as the "Group") are engaged in the research, development, design, testing, and sales of ICs and application softwares for these products.

2. THE DATE OF AUTHORISATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORISATION

These consolidated financial statements were authorised for issuance by the Board of Directors on October 31, 2019.

3. APPLICATION OF NEW STANDARDS,AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by the Financial Supervisory Commission ("FSC")

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, ‘Leases’

A. IFRS 16, ‘Leases’, replaces IAS 17, ‘Leases’ and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

B. The Group has elected to apply IFRS 16 by not restating the comparative information (referred herein as the ‘modified retrospective approach’) when applying “IFRSs” effective in 2019 as endorsed by the FSC. Accordingly, the Group increased ‘right-of-use asset’ by $1,048,079 and increased ‘lease liability’ by $1,048,079 with respect to the lease contracts of lessees on January 1, 2019.

C. The Group has used the following practical expedients permitted by the standard at the date of initial application of IFRS 16:

(a)The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

(b)The exclusion of initial direct costs for the measurement of ‘right-of-use asset’.

D. The Group calculated the present value of lease liabilities by using the incremental borrowing interest rate range from 0.97% to 6.5%.

E. The Group recognised lease liabilities which had previously been classified as ‘operating leases’ under the principles of IAS 17, ‘Leases’. The reconciliation between operating lease commitments under IAS 17 measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate and lease liabilities recognised as of January 1, 2019 is as follows:

Operating lease commitments disclosed by applying IAS 17 as at December 31, 2018	$ 258,087
Add: Adjustments as a result of a different treatment of extension and termination options	1,108,891
Total lease contracts amount recognised as lease liabilities by applying IFRS 16 on January 1, 2019	1,366,978
Incremental borrowing interest rate at the date of initial application	0.97%~6.5%
Lease liabilities recognised as at January 1, 2019 by applying IFRS 16	$ 1,048,079

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by the FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of assets between an investor and its associate or joint venture'	To be determined by International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted are consistent with Note 4 in the consolidated financial statements for the year ended December 31, 2018, except for the compliance statement, basis of preparations, basis of consolidation and additional policies as set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

A. The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the International Accounting Standard 34, 'Interim financial reporting' as endorsed by the FSC.

B. These consolidated financial statements are to be read in conjunction with the consolidated financial statements for the year ended December 31, 2018.

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

(a) Financial assets (including derivative instruments) at fair value through profit or loss.

(b) Financial assets at fair value through other comprehensive income.

(c) Defined benefit liabilities recognised based on the net amount of pension fund assets less present value of defined benefit obligation.

B. The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

Basis for preparation of consolidated financial statements is consistent with the 2018 consolidated financial statements.

B. Subsidiaries included in the consolidated financial statements:

			Ownership (%)			
Name of investor	Name of subsidiary	Main business activities	September 30, 2019	December 31, 2018	September 30, 2018	Description
Realtek Semiconductor Corporation	Leading Enterprises Limited	Investment holdings	100%	100%	100%	
Realtek Semiconductor Corporation	Amber Universal Inc.	〃	100%	100%	100%	
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	89%	89%	89%	
Realtek Semiconductor Corporation	Bluocean Inc.	Investment holdings	100%	100%	100%	
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	〃	100%	100%	100%	
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	〃	100%	100%	100%	

Name of investor	Name of subsidiary	Main business activities	Ownership (%) September 30, 2019	December 31, 2018	September 30, 2018	Description
Realtek Semiconductor Corporation	Realsun Investment Co., Ltd.	〃	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	〃	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Realking Investments Limited	〃	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Realsun Technology Corporation	ICs manufacturing, design, research, development, sales, and marketing	100%	100%	100%	Note 1
Realtek Semiconductor Corporation	Bobitag Inc.	Manufacture and installation of computer equipment and wholesale, retail and related service of electronic materials and information / software	67%	67%	67%	Note 1
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	ICs design,sales and consultancy	100%	100%	100%	Note 1
Leading Enterprises	Circon Universal Inc.	Investment holdings	100%	100%	100%	Note 1
Leading Enterprises Limited	Realtek Singapore Private Limited	ICs manufacturing, design, research, development, sales, and marketing	11%	11%	11%	
Amber Universal Inc.	Realtek Semiconductor (HK) Limited	Information services and technical support	100%	100%	100%	Note 1

Name of investor	Name of subsidiary	Main business activities	Ownership (%) September 30, 2019	December 31, 2018	September 30, 2018	Description
Amber Universal Inc.	Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	100%	100%	100%	Note 1
Empsonic Enterprises Inc.	Realsil Microelectronics Corp.	〃	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Cortina Access Inc.	R&D and information services	100%	100%	100%	Note 1
Realtek Singapore	Cortina Systems Taiwan Limited	R&D and technical support	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	〃	100%	100%	100%	Note 1
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	R&D and information services	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Investment holdings	100%	100%	100%	Note 1
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	R&D and technical support	100%	100%	100%	Note 1
Realtek Singapore Private Limited	RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	29%	29%	-	Note 1 Note 2
Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	〃	71%	71%	-	Note 1 Note 2

Note 1: The financial statements of the entity as of and for the nine-month periods ended September 30, 2019 and 2018 were not reviewed by the independent accountants as the entity did not meet the definition of a significant subsidiary.

Note 2: RayMX Microelectronics Corp. was newly established on December 7, 2018.

C. Subsidiaries not included in the consolidated financial statements: None.

D. Adjustments for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

Effective 2019

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

Fixed payments, less any lease incentives receivable.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability.

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term. When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(5) Employee benefits

Pensions－defined benefit plans

Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

(6) Income tax

A. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

B. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognises the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognised outside profit or loss is recognised in other comprehensive income or equity while the effect of the change on items recognised in profit or loss is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

There have been no significant changes as of September 30, 2019. Please refer to Note 5 in the consolidated financial statements for the year ended December 31, 2018.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand and revolving funds	$ 853	$ 1,819	$ 1,783
Checking accounts and demand deposits	4,345,273	3,248,619	4,843,717
Time deposits	58,082	1,059,213	2,942,408
Total	$ 4,404,208	$ 4,309,651	$ 7,787,908

The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

(2) Financial assets at fair value through profit or loss

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
Listed stocks	$ 68,416	$ 69,781	$ 85,959
Beneficiary certificates	258,460	1,251,322	786,081
	$ 326,876	$ 1,321,103	$ 872,040

A. Amounts recognised in profit or loss in relation to financial assets at fair value through profit or loss are listed below:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	$ 1,949	($ 28,653)
Beneficiary certificates	2,194	2,059
	$ 4,143	($ 26,594)

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Financial assets mandatorily measured at fair value through profit or loss		
Equity instruments	($ 1,364)	($ 10,915)
Beneficiary certificates	6,317	4,605
	$ 4,953	($ 6,310)

B. The Group has no financial assets at fair value through profit or loss pledged to others.

(3) Financial assets at fair value through other comprehensive income

Items	September 30, 2019	December 31, 2018	September 30, 2018
Non-current items:			
Equity instruments			
Listed stocks	$ 464,127	$ 253,908	$ 298,942
Emerging stocks	13,007	339,027	342,320
Unlisted stocks	1,296,924	1,058,137	1,121,648
	$ 1,774,058	$ 1,651,072	$ 1,762,910

A. The Group has elected to classify equity instruments investments that are considered to be strategic investments as financial assets at fair value through other comprehensive income. The fair value of such investments amounted to $1,744,058, $1,651,072 and $1,762,910 on September 30, 2019, December 31, 2018 and September 30, 2018, respectively.

B. Amounts recognised in other comprehensive income in relation to the financial assets at fair value through other comprehensive income are listed below:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income (losses)	$ 52,009	($ 34,111)
Cumulative losses reclassified to retained earnings due to derecognition	$ 41,212	$ -

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Equity instruments at fair value through other comprehensive income		
Fair value change recognised in other comprehensive income (losses)	$ 109,761	($ 48,779)
Cumulative losses reclassified to retained earnings due to derecognition	$ 41,212	$ -

C. The Group has no financial assets at fair value through other comprehensive income pledged to others.

(4) Financial assets at amortised cost

Items	September 30, 2019	December 31, 2018	September 30, 2018
Current items:			
Time deposits	$ 40,258,529	$ 31,286,209	$ 30,917,302
Non-current items:			
Time deposits	$ 66,434	$ -	$ -

A. Details of the Group's financial assets at amortised cost pledged to others as collateral are provided in Note 8.

B. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(5) Accounts receivable

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable	$ 9,055,733	$ 5,693,973	$ 5,988,916
Accounts receivable - related parties	2,222,043	1,783,992	1,769,533
Less: allowance for bad debts	(81,542)	(58,172)	(54,586)
	$ 11,196,234	$ 7,419,793	$ 7,703,863

A. The aging analysis of accounts receivable is as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Not past due	$ 10,849,129	$ 7,460,264	$ 7,656,363
Up to 30 days	418,570	17,665	101,206
31 to 90 days	9,415	-	844
91 to 180 days	626	-	-
Over 181 days	36	36	36
	$ 11,277,776	$ 7,477,965	$ 7,758,449

The above aging analysis is based on past due date.

B. As of September 30, 2019, December 31, 2018 and September 30, 2018, accounts receivable was all from contracts with customers. And as of January 1, 2018, the balance of receivables from contracts with customers amounted to $6,946,663.

C. The Group has no accounts receivable pledged to others.

D. Information relating to credit risk of accounts receivable is provided in Note 12(2).

(6) Inventories

	September 30, 2019		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	$ 829,997	($ 22,572)	$ 807,425
Work in process	5,010,378	(399,868)	4,610,510
Finished goods	3,030,018	(547,646)	2,482,372
Total	$ 8,870,393	($ 970,086)	$ 7,900,307

	December 31, 2018		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	$ 399,009	($ 23,147)	$ 375,862
Work in process	3,614,676	(218,774)	3,395,902
Finished goods	2,524,712	(434,471)	2,090,241
Total	$ 6,538,397	($ 676,392)	$ 5,862,005

	September 30, 2018		
	Cost	Allowance for obsolescence and market value decline	Book value
Raw materials	$ 402,062	($ 25,329)	$ 376,733
Work in process	3,804,079	(243,515)	3,560,564
Finished goods	2,924,782	(453,139)	2,471,643
Total	$ 7,130,923	($ 721,983)	$ 6,408,940

Operating costs incurred on inventories for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Cost of inventories sold and others	$ 9,072,424	$ 6,361,593
Loss on market value decline and obsolete and slow-moving inventories	68,868	15,949
Loss on scrap inventory	22,294	25,326
	$ 9,163,586	$ 6,402,868

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Cost of inventories sold and others	$ 24,474,983	$ 18,455,169
Loss on market value decline and obsolete and slow-moving inventories	292,877	184,137
Loss on scrap inventory	34,879	129,743
	$ 24,802,739	$ 18,769,049

(7) Investments accounted for using the equity method

	September 30, 2019	December 31, 2018	September 30, 2018
Technology Partner V Venture Capital Corporation	$ 24,926	$ 36,917	$ 38,145
5V Technologies, Taiwan Ltd.	7,466	16,106	15,869
Estinet Technologies Incorporation	40,764	40,682	35,474
Innorich Venture Capital Corp.	161,253	167,923	172,121
	$ 234,409	$ 261,628	$ 261,609

Some of the above investments accounted for under the equity method were based on the financial statements of the investee companies for the same periods which were not audited or reviewed by independent accountants. The loss on investments accounted for using equity method amounted to $3,808, $13,851, $16,120 and $37,214 for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

(8) Property, plant and equipment

	Buildings	Machinery	Test equipment	Office equipment	Others	Total
At January 1, 2019						
Cost	$ 3,246,163	$ 3,726,816	$ 2,225,944	$ 232,162	$ 754,293	$ 10,185,378
Accumulated depreciation and impairment	(1,197,942)	(3,456,955)	(1,514,287)	(151,702)	(547,914)	(6,868,800)
	$ 2,048,221	$ 269,861	$ 711,657	$ 80,460	$ 206,379	$ 3,316,578
2019						
Opening net book amount	$ 2,048,221	$ 269,861	$ 711,657	$ 80,460	$ 206,379	$ 3,316,578
Additions	-	100,238	358,035	40,947	63,529	562,749
Disposals	(18)	-	(8)	(97)	(2)	(125)
Reclassifications	-	27,167	-	-	(27,167)	-
Depreciation	(93,154)	(55,597)	(234,067)	(19,650)	(45,918)	(448,386)
Net exchange difference	(8,397)	2,272	(3,980)	(149)	751	(9,503)
Closing net book amount	$ 1,946,652	$ 343,941	$ 831,637	$ 101,511	$ 197,572	$ 3,421,313
At September 30, 2019						
Cost	$ 3,228,393	$ 3,856,726	$ 2,569,760	$ 271,495	$ 788,981	$ 10,715,355
Accumulated depreciation and impairment	(1,281,741)	(3,512,785)	(1,738,123)	(169,984)	(591,409)	(7,294,042)
	$ 1,946,652	$ 343,941	$ 831,637	$ 101,511	$ 197,572	$ 3,421,313

	Buildings	Machinery	Test equipment	Office equipment	Others	Total
At January 1, 2018						
Cost	$ 3,205,530	$ 3,611,076	$ 1,783,425	$ 204,663	$ 722,408	$ 9,527,102
Accumulated depreciation and impairment	(1,074,899)	(3,377,730)	(1,276,016)	(137,072)	(498,436)	(6,364,153)
	$ 2,130,631	$ 233,346	$ 507,409	$ 67,591	$ 223,972	$ 3,162,949
2018						
Opening net book amount	$ 2,130,631	$ 233,346	$ 507,409	$ 67,591	$ 223,972	$ 3,162,949
Additions	6,238	111,652	233,319	22,956	82,147	456,312
Disposals	(7)	-	(33)	(53)	(2)	(95)
Reclassifications	50,407	-	-	(567)	(50,826)	(986)
Depreciation	(98,742)	(66,965)	(182,550)	(15,877)	(35,941)	(400,075)
Net exchange difference	(11,486)	148	(1,295)	(377)	(3,024)	(16,034)
Closing net book amount	$ 2,077,041	$ 278,181	$ 556,850	$ 73,673	$ 216,326	$ 3,202,071
At September 30, 2018						
Cost	$ 3,240,634	$ 3,723,063	$ 2,003,313	$ 225,096	$ 750,365	$ 9,942,471
Accumulated depreciation and impairment	(1,163,593)	(3,444,882)	(1,446,463)	(151,423)	(534,039)	(6,740,400)
	$ 2,077,041	$ 278,181	$ 556,850	$ 73,673	$ 216,326	$ 3,202,071

Amount of borrowing costs capitalised as part of property, plant and equipment: None.

The Group has no property, plant and equipment pledged to others.

(9) Leasing arrangements－lessee

Effective 2019

A. The Group leases various assets including land and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose covenants, but leased assets may not be used as security for borrowing purposes.

B. The carrying amount of right-of-use assets and the depreciation are as follows:

	September 30, 2019
	Carrying amount
Land	$ 703,744
Buildings	340,224
	$ 1,043,968

	For the three-month period ended September 30, 2019	For the nine-month period ended September 30, 2019
	Depreciation	Depreciation
Land	$ 4,744	$ 14,239
Buildings	19,196	50,941
	$ 23,940	$ 65,180

C. For the three-month and nine-month periods ended September 30,2019, the additions to right-of-use assets was $40,907 and $40,907, respectively.

D. The information on profit and loss accounts relating to lease contracts is as follows:

	For the three-month period ended September 30, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 5,940

	For the nine-month period ended September 30, 2019
Items affecting profit or loss	
Interest expense on lease liabilities	$ 17,565

E. For the three-month and nine-month periods ended September 30, 2019, the Group’s total cash outflow for leases was $23,963 and $69,181, respectively.

(10) Investment property

	Buildings	
	2019	2018
At January 1		
Cost	$ 83,688	$ 85,694
Accumulated depreciation and impairment	(28,820)	(25,440)
	$ 54,868	$ 60,254
Opening net book value	$ 54,868	$ 60,254
Depreciation	(3,015)	(3,059)
Net exchange difference	(1,312)	(1,790)
Closing net book amount	$ 50,541	$ 55,405
At September 30		
Cost	$ 81,517	$ 83,004
Accumulated depreciation and impairment	(30,976)	(27,599)
	$ 50,541	$ 55,405

A. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Rental income from the lease of the investment property	$ 290	$ 1,553
Operating expenses arising from the investment property that generated rental income during the year	$ 987	$ 998

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Rental income from the lease of the investment property	$ 1,206	$ 4,760
Operating expenses arising from the investment property that generated rental income during the year	$ 3,015	$ 3,059

B. The Group's investment property is located in Mainland China. The fair value is based on valuation information from Information Centre of Real Estate in local governments in Mainland China and is adjusted accordingly. As of September 30, 2019, December 31, 2018 and September 30, 2018, the fair value was $135,999, $136,949 and $138,022 and classified as level 3, respectively.

(11) Intangible assets

	Computer software	Intellectual property	Goodwill	Others	Total
At January 1, 2019					
Cost	$ 3,234,611	$ 3,911,807	$ 650,778	$ 298,916	$ 8,096,112
Accumulated amortisation and impairment	(2,738,897)	(3,149,643)	(350,621)	(170,702)	(6,409,863)
	$ 495,714	$ 762,164	$ 300,157	$ 128,214	$ 1,686,249
2019					
Opening net book amount	$ 495,714	$ 762,164	$ 300,157	$ 128,214	$ 1,686,249
Additions	831,751	557,483	-	604	1,389,838
Transfers	1,800	-	-	(2,326)	(526)
Amortisation	(420,920)	(296,491)	-	(34,516)	(751,927)
Net exchange difference	-	(1,820)	3,018	1,263	2,461
Closing net book amount	$ 908,345	$ 1,021,336	$ 303,175	$ 93,239	$ 2,326,095
At September 30, 2019					
Cost	$ 4,068,266	$ 4,464,159	$ 653,796	$ 300,141	$ 9,486,362
Accumulated amortisation and impairment	(3,159,921)	(3,442,823)	(350,621)	(206,902)	(7,160,267)
	$ 908,345	$ 1,021,336	$ 303,175	$ 93,239	$ 2,326,095

	Computer software	Intellectual property	Goodwill	Others	Total
At January 1, 2018					
Cost	$ 2,772,830	$ 3,751,440	$ 642,134	$ 298,771	$ 7,465,175
Accumulated amortisation and impairment	(2,241,399)	(2,673,224)	(350,621)	(121,576)	(5,386,820)
	$ 531,431	$ 1,078,216	$ 291,513	$ 177,195	$ 2,078,355
2018					
Opening net book amount	$ 531,431	$ 1,078,216	$ 291,513	$ 177,195	$ 2,078,355
Additions	416,904	45,035	-	1,800	463,739
Transfers	1,353	2,096	-	(6,261)	(2,812)
Amortisation	(372,584)	(374,848)	-	(33,271)	(780,703)
Net exchange difference	10	(21,258)	6,866	3,226	(11,156)
Closing net book amount	$ 577,114	$ 729,241	$ 298,379	$ 142,689	$ 1,747,423
At September 30, 2018					
Cost	$ 3,191,302	$ 3,792,510	$ 649,000	$ 301,067	$ 7,933,879
Accumulated amortisation and impairment	(2,614,188)	(3,063,269)	(350,621)	(158,378)	(6,186,456)
	$ 577,114	$ 729,241	$ 298,379	$ 142,689	$ 1,747,423

Details of amortisation on intangible assets are as follows:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Operating costs	$ 904	$ 1,142
Operating expenses	273,827	248,717
	$ 274,731	$ 249,859

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Operating costs	$ 2,964	$ 2,964
Operating expenses	748,963	777,739
	$ 751,927	$ 780,703

(12) Short-term borrowings

Type of borrowings	September 30, 2019	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 17,900,000	0.60%~0.79%	None

Type of borrowings	December 31, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 14,526,311	0.67%~4.16%	None

Type of borrowings	September 30, 2018	Interest rate range	Collateral
Bank borrowings			
Unsecured borrowings	$ 16,844,795	0.67%~2.56%	None

Interest expense recognised in profit or loss amounted to $35,132, $34,863, $93,316 and $102,136 for the three-month and nine-month periods ended September 30, 2019 and 2018, respectively.

(13) Other payables

	September 30, 2019	December 31, 2018	September 30, 2018
Accrued salaries	$ 4,212,593	$ 3,390,433	$ 2,639,267
Payable for dividends and cash from capital surplus	3,556,668	-	2,794,525
Payable for employees' compensation	3,243,726	1,884,203	2,482,305
Other accrued expenses	1,417,455	1,235,690	1,209,010
Payables on equipment	79,545	110,401	84,856
Payables on software and intellectual property	873,721	684,438	550,835
Others	288,073	237,043	95,896
	$ 13,671,781	$ 7,542,208	$ 9,856,694

(14) <u>Pension</u>

A. (a) The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company and its domestic subsidiaries contribute monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee. Also, the Company and its domestic subsidiaries would assess the balance in the aforementioned labor pension reserve account by December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method to the employees expected to qualify for retirement in the following year, the Company and its domestic subsidiaries will make contributions for the deficit by next March.

(b) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 were $882, $874, $2,648 and $2,620, respectively.

(c) Expected contributions to the defined benefit pension plans of the Group for the year ending December 31, 2020 amounts to $6,000.

B. (a) Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C. nationality. Under the New Plan, the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

(b) The Company's mainland China subsidiaries, Realsil Microelectronics Corp., Realtek Semiconductor (Shen Zhen) Corp., Cortina Network Systems Shanghai Co., Ltd., and RayMX Microelectronics Corp. have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. The contribution percentage was 13%, 13%, 16%, and 16%, respectively. Monthly contributions to an independent fund are administered by the government. Other than the monthly contributions, the Group has no further obligations.

(c) The pension costs under the defined contribution pension plans of the Group for the three-month and nine-month periods ended September 30, 2019 and 2018 were $65,677, $58,467, $190,479 and $170,919, respectively.

(15) Provision

		2019
At January 1	$	999,868
Changes in provision		105,133
Effect of exchange rate		4,255
At September 30	$	1,109,256

As of September 30, 2019, provisions were estimated for possible infringement litigations.

(16) Share capital

A. As of September 30, 2019, the Company's authorised capital was $8,900,000, consisting of 890 million thousand shares of ordinary stock (including 80 million thousand shares reserved for employee stock options), and the paid-in capital was $5,080,955 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected. The beginning balance and closing balance of the number of the Company's ordinary shares outstanding of the period remain the same as in previous two periods.

Unit : Thousands of shares

	2019	2018
At January 1	508,095	506,506
Employees' compensation transferred to common stock	-	1,589
At September 30	508,095	508,095

B. On January 24, 2002, the Company increased its new common stock and sold its old common stock by issuing 13,924 thousand units of GDRs for cash. Each GDR unit represents 4 common stocks, so the total common stocks issued were 55,694 thousand shares. The Company's GDRs are traded in Luxembourg stock exchange. As of September 30, 2019, the outstanding GDRs were 312 thousand units, or 1,249 thousand shares of common stock, representing 0.25% of the Company's total common stocks.

(17) Capital surplus

Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Act requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

	2019			
	Share premium	Change in associates accounted for using equity method	Others	Total
At January 1	$ 3,196,250	$ 40,208	$ 201	$ 3,236,659
Change in associates accounted for using equity method	-	8,064	-	8,064
Cash from capital surplus	(508,095)	-	-	(508,095)
At September 30	$ 2,688,155	$ 48,272	$ 201	$ 2,736,628

	2018		
	Share premium	Change in associates accounted for using equity method	Total
At January 1	$ 3,540,653	$ 18,203	$ 3,558,856
Change in associates accounted for using equity method	-	15,417	15,417
Cash from capital surplus	(508,095)	-	(508,095)
Employees'compensation transferred to common stock	163,692	-	163,692
At September 30	$ 3,196,250	$ 33,620	$ 3,229,870

(18) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve, if legal reserve has accumulated to an amount equal to the paid-in capital, then legal reserve is not required to be set aside any more. After that, special reserve shall be set aside or reversed in accordance with the related laws or the regulations made by the Competent Authority. The remainder, if any, along with prior year's accumulated undistributed earnings shall be proposed by the Board of Directors. However, the appropriation of earnings shall be resolved by the shareholders if earnings are distributed by issuing new shares, or the appropriation of earnings shall be resolved by the Board of Directors, if earnings are distributed in the form of cash. The Company should consider factors of finance, business and operations to appropriate distributable earnings for the period, and appropriate all or partial reserve in accordance with regulations and the Competent Authority. The Company's dividend policy takes into consideration the Company's future expansion plans and future cash flows. In accordance with the Company's dividend policy, cash dividends shall account for at least 10% of the total dividends distributed.

In accordance with Company Act Article 240, Item 5 and Article 241, Item 2, the resolution, for all or partial of distributable dividends, legal reserve and capital surplus are distributed in the form of cash, will be adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors, and will be reported to the shareholders.

B. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

C. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

D. The appropriation of 2018 and 2017 earnings had been resolved at the stockholders' meeting on June 12, 2019 and June 5, 2018. Details are summarised below:

	2018		2017	
	Amount	Dividends per share (in dollars)	Amount	Dividends per share (in dollars)
Legal reserve	$ 435,077	$ -	$ 339,215	$ -
(Reversal of) special reserve	(600,443)	-	600,443	-
Cash dividends	3,048,573	6.00	2,286,430	4.50
Total	$ 2,883,207	$ 6.00	$ 3,226,088	$ 4.50

E. On June 12, 2019 and June 5, 2018, the stockholders resolved during their meeting to distribute $508,095 by cash ($1 per share) and $508,095 by cash ($1 per share) from capital surplus, respectively.

F. For the information relating to employees' compensation and directors' remuneration, please refer to Note 6(25).

(19) Other equity items

	2019		
	Unrealised gains (losses) on valuation	Currency translation difference	Total
At January 1	$ 272,153	$ 129,811	$ 401,964
Revaluation:			
–Subsidiaries	109,761	-	109,761
–Associates	3,717	-	3,717
Reclassified to retained earinngs	41,212	-	41,212
Currency translation differences:			
–Subsidiaries	-	281,594	281,594
At September 30	$ 426,843	$ 411,405	$ 838,248

	2018			
	Unrealised gains (losses) on valuation	Available-for-sale investment	Currency translation difference	Total
At January 1	$ -	$ 212,720	($ 813,163)	($ 600,443)
Modified retrospective approach adjustment:				
Revaluation	538,977	(212,720)	-	326,257
Revaluation transferred to retained earnings	(103,142)	-	-	(103,142)
Revaluation:				
–Subsidiaries	(48,779)	-	-	(48,779)
–Associates	2,453	-	-	2,453
Currency translation differences:				
–Subsidiaries	-	-	718,500	718,500
At September 30	$ 389,509	$ -	($ 94,663)	$ 294,846

(20) Operating revenue

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Revenue from contracts with customers	$ 16,043,111	$ 12,085,896

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Revenue from contracts with customers	$ 44,059,307	$ 33,864,155

A. Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time in the following major product lines:

For the three-month period ended September 30, 2019	Integrated circuit products	Others	Total
Revenue from external customer contracts	$ 16,012,869	$ 30,242	$ 16,043,111
Timing of revenue recognition			
At a point in time	$ 16,012,869	$ 30,242	$ 16,043,111

For the nine-month period ended September 30, 2019	Integrated circuit products	Others	Total
Revenue from external customer contracts	$ 43,963,093	$ 96,214	$ 44,059,307
Timing of revenue recognition			
At a point in time	$ 43,963,093	$ 96,214	$ 44,059,307

For the three-month period ended September 30, 2018	Integrated circuit products	Others	Total
Revenue from external customer contracts	$ 12,077,565	$ 8,331	$ 12,085,896
Timing of revenue recognition			
At a point in time	$ 12,077,565	$ 8,331	$ 12,085,896

For the nine-month period ended September 30, 2018	Integrated circuit products	Others	Total
Revenue from external customer contracts	$ 33,818,312	$ 45,843	$ 33,864,155
Timing of revenue recognition			
At a point in time	$ 33,818,312	$ 45,843	$ 33,864,155

B. Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Contract liabilities – advance sales receipts	$ 109,237	$ 148,696	$ 77,728	$ 103,169

Revenue recognised that was included in the contract liability balance at the beginning of the period:

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Contract liabilities – advance sales receipts	$ 1,345	$ 2

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Contract liabilities – advance sales receipts	$ 137,702	$ 91,285

C. Refund liabilities (shown in other current liabilities)

The Group estimates the discounts based on accumulated experience. The estimation is subject to an assessment at each reporting date.

The following refund liabilities:

	September 30, 2019	December 31, 2018	September 30, 2018
Refund liabilities – current	$ 5,236,443	$ 3,705,665	$ 3,466,356

(21) Other income

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Interest income:		
Interest income from bank deposits	$ 335,206	$ 278,810
Dividend income	29,767	32,942
Other income	17,637	44,538
Total	$ 382,610	$ 356,290

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Interest income:		
Interest income from bank deposits	$ 947,479	$ 693,439
Dividend income	30,150	32,942
Other income	49,861	75,973
Total	$ 1,027,490	$ 802,354

(22) Other gains and losses

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
(Losses) gains on disposal of property, plant and equipment	($ 28)	$ 98
Net currency exchange gains (losses)	33,382	(48,885)
Gains (losses) on financial assets at fair value through profit or loss	4,143	(26,594)
Other losses	(854)	(5,550)
Total	$ 36,643	($ 80,931)

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
(Losses) gains on disposal of property, plant and equipment	($ 125)	$ 181
Net currency exchange gains (losses)	34,150	(35,528)
Gains (losses) on financial assets at fair value through profit or loss	4,953	(6,310)
Other losses	(2,931)	(3,275)
Total	$ 36,047	($ 44,932)

(23) Finance costs

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Interest expense		
Bank borrowings	$ 35,132	$ 34,863
Lease liabilities	5,940	-
	$ 41,072	$ 34,863

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Interest expense		
Bank borrowings	$ 93,316	$ 102,136
Lease liabilities	17,565	-
	$ 110,881	$ 102,136

(24) Expenses by nature

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Employee benefit expenses	$ 3,594,483	$ 2,968,418
Depreciation	$ 181,782	$ 135,907
Amortisation	$ 274,731	$ 249,859

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Employee benefit expenses	$ 10,111,374	$ 7,994,459
Depreciation	$ 516,581	$ 403,134
Amortisation	$ 751,927	$ 780,703

(25) Employee benefit expenses

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Wages and salaries	$ 3,387,022	$ 2,786,530
Labor and health insurance fees	104,695	95,129
Pension costs	66,559	59,341
Other personnel expenses	36,207	27,418
Total	$ 3,594,483	$ 2,968,418

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Wages and salaries	$ 9,501,379	$ 7,443,033
Labor and health insurance fees	321,357	287,152
Pension costs	193,127	173,539
Other personnel expenses	95,511	90,735
Total	$ 10,111,374	$ 7,994,459

A. In accordance with the Company's Articles of Incorporation, the Company shall appropriate no higher than 3% for directors' remuneration and no less than 1% for employees' compensation, if the Company generates profit. If the Company has accumulated deficit, earnings should be reserved to cover losses before the appropriation of directors' remuneration and employees' compensation. Aforementioned employees' compensation could be distributed by cash or stocks. Specifics of the compensation are to be determined by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors. The resolution should be reported to the shareholders during the shareholders' meeting.

B. Employees' cash compensation was $1,151,674, and directors' remuneration was $76,778 for 2018. Employees' compensation and directors' remuneration of 2018 as resolved at the meeting of the Board of Directors were in agreement with those amounts recognised in the 2018 financial statements.

C. For the three-month and nine-month periods ended September 30, 2019 and 2018, employees' compensation was accrued at $508,252, $374,591, $1,359,523 and $859,347, respectively; directors' remuneration was accrued at $33,884, $24,973, $90,635 and $57,290, respectively. If the estimated amounts differ from the actual distribution resolved by the Board of Directors and the shareholders' meeting, the Company will recognize the change as an adjustment to income of next year.

Information about employees' compensation and directors' remuneration of the Company as resolved by the Board of Directors and the shareholders at the shareholders' meeting will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

(26) Income tax

A. Income tax expense

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Current income tax:		
Current income tax on profits for the period	$ 124,973	$ 89,196
Deferred income tax:		
Origination and reversal of temporary differences	(604)	2,727
Income tax expense	$ 124,369	$ 91,923

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Current income tax:		
Current income tax on profits for the period	$ 279,570	$ 246,019
Tax on undistributed surplus earnings	74,745	16,607
Prior year income tax over estimation	(19,067)	(35,671)
Total current income tax	335,248	226,955
Deferred income tax:		
Origination and reversal of temporary differences	(4,827)	(12,244)
Income tax expense	$ 330,421	$ 214,711

B. The Company's income tax returns through 2017 have been assessed and approved by the Tax Authority.

C. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has assessed the impact of the change in income tax rate.

(27) Earnings per share

	For the three-month period ended September 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,922,421	508,095	$ 3.78
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,922,421	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,210	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,922,421	510,305	$ 3.77

	For the three-month period ended September 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,411,851	508,095	$ 2.78
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 1,411,851	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	2,849	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 1,411,851	510,944	$ 2.76

	For the nine-month period ended September 30, 2019		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,146,829	508,095	$ 10.13
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 5,146,829	508,095	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	5,911	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 5,146,829	514,006	$ 10.01

	For the nine-month period ended September 30, 2018		
	Amount after tax	Weighted average number of ordinary shares outstanding (shares in thousands)	Earnings per share (in dollars)
Basic earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,254,140	507,583	$ 6.41
Diluted earnings per share			
Profit attributable to ordinary shareholders of the parent	$ 3,254,140	507,583	
Assumed conversion of all dilutive potential ordinary shares			
Employees' compensation	-	8,811	
Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares	$ 3,254,140	516,394	$ 6.30

(28) Supplemental cash flow information

Investing activities with partial cash payments

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Purchase of property, plant and equipment	$ 562,749	$ 456,312
Add: Opening balance of payable on equipment	110,401	33,141
Less: Ending balance of payable on equipment	(79,545)	(84,856)
Cash paid during the period	$ 593,605	$ 404,597

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Purchase of intangible assets	$ 1,389,838	$ 463,739
Add: Opening balance of payable on software and intellectual property	684,438	650,649
Less: Ending balance of payable on software and intellectual property	(873,721)	(550,835)
Cash paid during the period	$ 1,200,555	$ 563,553

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Cash dividends declared	$ 3,048,573	$ 2,286,430
Cash from capital surplus	508,095	508,095
Ending balance of other payables (shown in other payables)	(3,556,668)	(2,794,525)
Cash paid during the period	$ -	$ -

(29) Changes in liabilities from financing activities

	Short-term borrowings	Guarantee deposits received	Lease liabilites	Liabilities from financing activities-gross
At January 1, 2019	$ 14,526,311	$ 4,887	$ 1,048,079	$ 15,579,277
Changes in cash flow from financing activities	3,373,689	(1,427)	(69,181)	3,303,081
Interest paid	-	-	(917)	(917)
Interest expense	-	-	17,565	17,565
Impact of changes in foreign exchange	-	-	39,586	39,586
At September 30, 2019	$ 17,900,000	$ 3,460	$ 1,035,132	$ 18,938,592

	Short-term borrowings	Guarantee deposits received	Liabilities from financing activities-gross
At January 1, 2018	$ 18,052,624	$ 5,165	$ 18,057,789
Changes in cash flow from financing activities	(1,207,829)	549	(1,207,280)
At September 30, 2018	$ 16,844,795	$ 5,714	$ 16,850,509

7. RELATED PARTY TRANSACTIONS

(1) Parent and ultimate controlling party

The ultimate controlling party of the Group is the Company.

(2) Names of related parties and relationship

Names of related parties	Relationship with the Company
G.M.I Technology Inc.	Other related party
Actions Semiconductor Co., Ltd.	Other related party
C-Media Electronics Inc.	Other related party
Greatek Electronics Inc.	Other related party
EmBestor Technology Inc.	Other related party

(3) Significant related party transactions and balances

A. Operating revenue

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Sales of goods：		
G.M.I Technology Inc.	$ 2,918,303	$ 2,343,649
Others	71,691	164,654
	$ 2,989,994	$ 2,508,303

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Sales of goods：		
G.M.I Technology Inc.	$ 7,961,576	$ 6,104,136
Others	194,656	351,260
	$ 8,156,232	$ 6,455,396

Goods are sold based on the price lists in force and terms that would be available to third parties, and the general collection term was 30 ~ 60 days after monthly billings.

B. Processing cost

	For the three-month period ended September 30, 2019	For the three-month period ended September 30, 2018
Greatek Electronics Inc.	$ 297,648	$ 299,663

	For the nine-month period ended September 30, 2019	For the nine-month period ended September 30, 2018
Greatek Electronics Inc.	$ 1,005,542	$ 825,064

Processing cost is paid to associates on normal commercial terms and conditions, and the general payment term was 69 days after monthly billings.

C. Receivables from related parties

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts receivable:			
G.M.I Technology Inc.	$ 2,153,214	$ 1,718,808	$ 1,642,297
Other	55,915	53,263	115,474
	2,209,129	1,772,071	1,757,771
Other accounts receivable:			
Other	-	-	219
	$ 2,209,129	$ 1,772,071	$ 1,757,990

Aforementioned receivables were 30 ~ 60 days after monthly billings. The receivables from related parties arise mainly from sale transactions. The receivables are unsecured in nature and bear no interest.

D. Payables to related parties

	September 30, 2019	December 31, 2018	September 30, 2018
Accounts payable:			
Greatek Electronics Inc.	$ 303,881	$ 249,869	$ 266,010

The payment term above was 69 days after monthly billings. The payables to related parties arise mainly from processing cost. The payables bear no interest.

E. Other transactions and other (receivables) payables:

	For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018	
	Amount	Ending balance	Amount	Ending balance
Other related parties-				
Sales commissions	$ 313,200	$ 77,077	$ 256,385	$ 72,109
Cash dividends revenue	($ 16,698)	$ -	($ 19,420)	$ -
Technical royalty revenue	($ 3,464)	$ -	($ 3,419)	$ -

The payment term above was 49 days after monthly billings; collection term was 30 ~ 60 days after monthly billings.

(4) Key management compensation

	For the three-month period ended September 30, 2019		For the three-month period ended September 30, 2018	
Salaries and other short-term employee benefits	$	13,820	$	13,172
Post-employment benefits		693		655
Total	$	14,513	$	13,827

	For the nine-month period ended September 30, 2019		For the nine-month period ended September 30, 2018	
Salaries and other short-term employee benefits	$	68,662	$	64,709
Post-employment benefits		2,004		1,901
Total	$	70,666	$	66,610

8. PLEDGED ASSETS

The Group's assets pledged as collateral are as follows:

	Book value						
Pledged asset	September 30, 2019		December 31, 2018		September 30, 2018		Purposes
Time deposits (shown in financial assets at amortised cost -current)	$	-	$	30,270	$	30,000	Guarantee for customs duties for the importation of materials
"		-		35,789		35,753	Guarantee for leasing land and office in Science Park
Time deposits (shown in financial assets at amortised cost non-current)		30,288		-		-	Guarantee for customs duties for the importation of materials
"		36,146		-		-	Guarantee for leasing land and office in Science Park
	$	66,434	$	66,059	$	65,753	

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies

None.

(2) Operating lease agreements

The Group leases land and office buildings for operational needs under non-cancellable operating lease agreements. The lease terms are between 2019 and 2027. Most of the lease agreements are renewable at the market price at the end of the lease period. The Group recognised rental expense of $20,436 and $51,451 for these leases in profit or loss for the three-month and nine-month periods ended September 30, 2018.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2018	September 30, 2018
No later than one year	$ 69,071	$ 58,668
Later than one year but not later than five years	149,106	144,714
Later than five years	39,910	38,739
	$ 258,087	$ 242,121

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

To fulfil the needs of future operation development, on October 31, 2019, the Board of Directors of the Company resolved to acquire the right-of-use assets (land) amounting approximately to NT$900 million from Hsinchu Science Park Bureau and plans to build office and car park buildings.

12. OTHERS

(1) Capital management

There have been no significant changes as of September 30, 2019. Please refer to Note 12 in the consolidated financial statements for the year ended December 31, 2018.

(2) Financial instruments

A. Financial instruments by category

	September 30, 2019	December 31, 2018	September 30, 2018
Financial assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at fair value through profit or loss	$ 326,876	$ 1,321,103	$ 872,040
Financial assets at fair value through other comprehensive income			
Designation of equity instrument	$ 1,774,058	$ 1,651,072	$ 1,762,910
Financial assets at amortised cost/ Receivables			
Cash and cash equivalents	$ 4,404,208	$ 4,309,651	$ 7,787,908
Financial assets at amortised cost	40,324,963	31,286,209	30,917,302
Accounts receivable (including related parties)	11,196,234	7,419,793	7,703,863
Other receivables (including related parties)	689,011	657,190	480,798
Refundable deposits	30,239	28,573	25,413
	$ 56,644,655	$ 43,701,416	$ 46,915,284
Financial liabilities			
Financial liabilities at amortised cost			
Short-term borrowings	$ 17,900,000	$ 14,526,311	$ 16,844,795
Notes payable	4,594	8,657	4,594
Accounts payable (including related parties)	7,923,581	5,885,855	6,136,154
Other accounts payable (including related parties)	13,748,858	7,611,255	9,928,803
Guarantee deposits received	3,460	4,887	5,714
Other financial liabilities	5,236,443	3,705,665	3,466,356
	$ 44,816,936	$ 31,742,630	$ 36,386,416
Lease liability	$ 1,035,132	$ -	$ -

B. Financial risk management policies

(a) The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

(b) Risk management is carried out by a finance division (Group finance) under policies approved by the Board of Directors. Group finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require the Group to manage its foreign exchange risk against its functional currency. The Group is required to hedge its entire foreign exchange risk exposure with the Group finance.

iii. The Group's businesses involve some functional currency operations (the Company's functional currency: NTD ； other certain subsidiaries' functional currency: USD and RMB). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	September 30, 2019		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 354,544	31.042	$ 11,005,761
Non-monetary items			
USD:NTD	1,341,501	31.042	41,642,868
Financial liabilities			
Monetary items			
USD:NTD	183,621	31.042	5,699,955

	December 31, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 179,859	30.733	$ 5,527,618
CNY:USD	71,029	0.1456	317,942
Non-monetary items			
USD:NTD	1,159,786	30.733	35,643,714
Financial liabilities			
Monetary items			
USD:NTD	134,264	30.733	4,126,322

	September 30, 2018		
	Foreign currency amount (In thousands)	Exchange rate	Book value (NTD)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	$ 230,305	30.551	$ 7,036,060
CNY:USD	167,532	0.1453	743,773
Non-monetary items			
USD:NTD	1,221,325	30.551	37,312,693
Financial liabilities			
Monetary items			
USD:NTD	179,227	30.551	5,475,552

The exchange (loss) gain, including realised and unrealised arising from significant foreign exchange variation on the monetary items held by the Group for the three-month and nine-month periods ended September 30, 2019 and 2018, amounted to $33,382, ($48,885), $34,150 and ($35,528), respectively.

Analysis of foreign currency market risk arising from significant foreign exchange variation:

	For the nine-month period ended September 30, 2019		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 110,058	$ -
Non-monetary items			
USD:NTD	1%	-	416,429
Financial liabilities			
Monetary items			
USD:NTD	1%	(57,000)	-

	For the nine-month period ended September 30, 2018		
	Sensitivity analysis		
	Degree of variation	Effect on profit or loss	Effect on other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
USD:NTD	1%	$ 70,361	$ -
CNY:USD	1%	7,438	-
Non-monetary items			
USD:NTD	1%	-	373,127
Financial liabilities			
Monetary items			
USD:NTD	1%	(54,756)	-

Price risk

i. The Group's equity securities, which are exposed to price risk, are the held financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

ii. The Group's investments in equity securities comprise domestic listed and unlisted stocks. The prices of equity securities would change due to the change of the future value of investee companies. If the prices of these equity securities had increased/decreased by 10% with all other variables held constant, post-tax profit for the three-month and nine-month periods ended September 30, 2019 and 2018 would have increased/decreased by $32,688 and $87,204, respectively, as a result of gains/losses on equity securities classified as at fair value through profit or loss. Other components of equity would have increased/decreased by $177,406 and $176,291, respectively, as a result of gains/losses on equity securities classified as at fair value through other comprehensive income.

Cash flow and fair value interest rate risk

The Group has no material interest rate risk.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of financial assets at amortised cost and at fair value through other comprehensive income.

ii. The Group manages their credit risk taking into consideration the entire group's concern. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors.

iii. The Group adopts the assumption under IFRS 9, that is, the default occurs when the contract payments are past due over 90 days.

iv. The Group adopts the following assumption under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due over 30 days based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

v. The following indicators are used to determine whether the credit impairment of debt instruments has occurred:

(i) It becomes probable that the issuer will enter bankruptcy or other financial reorganization due to their financial difficulties;

(ii) The disappearance of an active market for that financial asset because of financial difficulties;

(iii) Default or delinquency in interest or principal repayments;

(iv) Adverse changes in national or regional economic conditions that are expected to cause a default.

vi. The Group classifies customers' accounts receivable, contract assets and rents receivable in accordance with customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

vii. The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

viii. The Group used the forecast ability of semiconductor industry research report to adjust historical and timely information to assess the default possibility of accounts receivable. On September 30, 2019, December 31, 2018 and September 30, 2018, the provision matrix are as follows:

	Not past due	1~90 days past due	90 days past due	Total
At September 30, 2019				
Expected loss rate	0%~1%	0%~1%	100%	
Total book value	$ 10,849,129	$ 427,985	$ 662	$ 11,277,776
Loss allowance	$ 77,735	$ 3,145	$ 662	$ 81,542

	Not past due	1~90 days past due	90 days past due	Total
At December 31, 2018				
Expected loss rate	0.2%~1%	0.2%~1%	100%	
Total book value	$ 7,460,264	$ 17,665	$ 36	$ 7,477,965
Loss allowance	$ 58,031	$ 105	$ 36	$ 58,172

	Not past due	1~90 days past due	90 days past due	Total
At September 30, 2018				
Expected loss rate	0.2%~1%	0.2%~1%	100%	
Total book value	$ 7,656,363	$ 102,050	$ 36	$ 7,758,449
Loss allowance	$ 53,558	$ 992	$ 36	$ 54,586

ix. Movements in relation to the Group applying the modified approach to provide loss allowance for accounts receivable are as follows:

	2019
	Loss allowance for accounts receivable
At January 1	$ 58,172
Current changes	23,267
Effect of exchange rate	103
At September 30, 2019	$ 81,542

	2018
	Loss allowance for accounts receivable
At January 1	$ 59,792
Current changes	(5,266)
Effect of exchange rate	60
At September 30, 2018	$ 54,586

x. For financial assets at amortised cost, the credit rating levels are presented below:

	September 30, 2019			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	$ 40,324,963	$ -	$ -	$ 40,324,963

	December 31, 2018			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	$ 31,286,209	$ -	$ -	$ 31,286,209

	September 30, 2018			
		Lifetime		
	12 months	Significant increase in credit risk	Impairment of credit	Total
Financial assets at amortised cost	$ 30,917,302	$ -	$ -	$ 30,917,302

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance. Group finance monitors forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities.

ii. Group finance invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

iii. The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative financial liabilities:

September 30, 2019	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term loans	$ 17,900,000	$ -	$ -
Notes payable	4,594	-	-
Accounts payable (including related parties)	7,923,581	-	-
Other payables (including related parties)	13,748,858	-	-
Lease liability	106,470	363,525	859,277
Guarantee deposits received	-	-	3,460

Non-derivative financial liabilities:

December 31, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term loans	$ 14,526,311	$ -	$ -
Notes payable	8,657	-	-
Accounts payable (including related parties)	5,885,855	-	-
Other payables (including related parties)	7,611,255	-	-
Guarantee deposits received	-	-	4,887

Non-derivative financial liabilities:

September 30, 2018	Less than 1 year	Between 1 and 5 years	Over 5 years
Short-term loans	$ 16,844,795	$ -	$ -
Notes payable	4,594	-	-
Accounts payable (including related parties)	6,136,154	-	-
Other payables (including related parties)	9,928,803	-	-
Guarantee deposits received	-	-	5,714

iv. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of the Group's investment in listed stocks and beneficiary certificates is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Group's investment in equity investment without active market is included in Level 3.

B. Fair value information of investment property at cost is provided in Note 6(10).

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets is as follows:

(a) The related information of nature of the assets is as follows:

September 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss	$ 326,876	$ -	$ -	$ 326,876
Financial assets at fair value through other comprehensive income				
Equity securities	477,134	-	1,296,924	1,774,058
Total	$ 804,010	$ -	$ 1,296,924	$ 2,100,934

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss	$ 1,321,103	$ -	$ -	$ 1,321,103
Financial assets at fair value through other comprehensive income				
Equity securities	592,935	-	1,058,137	1,651,072
Total	$ 1,914,038	$ -	$ 1,058,137	$ 2,972,175

September 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value measurement				
Financial assets at fair value through profit or loss	$ 872,040	$ -	$ -	$ 872,040
Financial assets at fair value through other comprehensive income				
Equity securities	641,262	-	1,121,648	1,762,910
Total	$ 1,513,302	$ -	$ 1,121,648	$ 2,634,950

(b) The methods and assumptions the Group used to measure fair value are as follows:

i. The instruments the Group used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

	Listed shares	Closed-end fund	Open-end fund	Government bond	Corporate bond	Convertible (exchangeable) bond
Market quoted price	Closing price	Closing price	Net asset value	Translation price	Weighted average quoted price	Closing price

ii. Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the consolidated balance sheet date.

iii. The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group's financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs.

D. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer between Level 1 and Level 2.

E. The following chart is the movement of Level 3 for the nine-month periods ended September 30, 2019 and 2018:

		2019
		Non-derivative equity instrument
At January 1	$	1,058,137
Gains recognised in other comprehensive income		238,787
At September 30	$	1,296,924

		2018
		Non-derivative equity instrument
At January 1	$	312,684
Modified retrospective adjustment		766,919
Gains recognised in other comprehensive income		14,045
Acquired in the period		28,000
At September 30	$	1,121,648

F. For the nine-month periods ended September 30, 2019 and 2018, there was no transfer into or out from Level 3.

G. The finance division is in charge of valuation procedures for fair value measurements being categorised within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, updating inputs used to the valuation model and making any other necessary adjustments to the fair value.

H. The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at September 30, 2019	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 119,172	Market comparable companies	Price to book ratio multiple	2.90	The higher the multiple, the higher the fair value
〃	28,000	The last transaction price of the non-active market	Not applicable	-	Not applicable
Private equity fund investment	1,149,752	Net asset value	Not applicable	-	Not applicable

	Fair value at December 31, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 117,986	Market comparable companies	Price to book ratio multiple	2.56	The higher the multiple, the higher the fair value
〃	28,000	The last transaction price of the non-active market	Not applicable	-	Not applicable
Private equity fund investment	912,151	Net asset value	Not applicable	-	Not applicable

	Fair value at September 30, 2018	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Non-derivative equity instrument:					
Unlisted shares	$ 117,363	Market comparable companies	Price to book ratio multiple	2.80	The higher the multiple, the higher the fair value
〃	28,000	The last transaction price of the non-active market	Not applicable	-	Not applicable
Private equity fund investment	976,285	Net asset value	Not applicable	-	Not applicable

I. The Group has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is reasonable. However, use of different valuation models or assumptions may result in different measurement. The following is the effect of profit or loss or of other comprehensive income from financial assets and liabilities categorised within Level 3 if the inputs used to valuation models have changed:

			September 30, 2019			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	$ -	$ -	$ 1,435	($ 1,435)

			December 31, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	$ -	$ -	$ 1,232	($ 1,232)

			September 30, 2018			
			Recognised in profit or loss		Recognised in other comprehensive income	
	Input	Change	Favourable Change	Unfavourable change	Favourable Change	Unfavourable change
Financial assets						
Equity instrument	Price to book ratio multiple	± 1%	$ -	$ -	$ 1,287	($ 1,287)

13. SUPPLEMENTARY DISCLOSURES

(1) Significant transactions information

A. Loans to others: Please refer to table 1.

B. Provision of endorsements and guarantees to others: Please refer to table 2.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures): Please refer to table 3.

D. Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company’s paid-in capital: Please refer to table 4.

E. Acquisition of real estate reaching $300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching $300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 5.

H. Receivables from related parties reaching $100 million or 20% of paid-in capital or more: Please refer to table 6.

I. Trading in derivative instruments undertaken during the reporting periods: None.

J. Significant inter-company transactions during the reporting periods: Please refer to table 7.

(2) Information on investees

Names, locations and other information of investee companies (not including investees in Mainland China): Please refer to table 8.

(3) Information on investments in Mainland China

A. Basic information: Please refer to table 9.

B. Significant transactions, either directly or indirectly through a third area, with investee companies in the Mainland Area: Please refer to table 10.

14. SEGMENT INFORMATION

(1) General information

The Group operates business only in a single industry. The Chief Operating Decision-Maker, who allocates resources and assesses performance of the Group as a whole, has identified that the Group has only one reportable operating segment.

(2) Measurement of segment information

The Chief Operating Decision-Maker assesses the performance of the operating segments based on the consolidated financial statements. The accounting policy of operating segments is the same as that described in Note 4.

(3) Information on segment profit (loss), assets and liabilities

For the nine-month period ended September 30, 2019

	Amount
Revenue from external customers	$ 44,059,307
Inter-segment revenue	$ -
Segment income	$ 5,146,896
Total segment assets	$ 74,533,417

For the nine-month period ended September 30, 2018

	Amount
Revenue from external customers	$ 33,864,155
Inter-segment revenue	$ -
Segment income	$ 3,254,144
Total segment assets	$ 61,518,674

(4) Reconciliation for segment profit (loss)

None.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019 (Note 3)	Balance at September 30, 2019	Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financial	Allowance for doubtful accounts	Collateral Item	Collateral Value	Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
0	Realtek Semiconductor Corporation	Amber Universal Inc.	Other receivables-related parties	Y	$ 620,840	$ 620,840	$ -	-	Short-term financing	$ -	Operations	$ -	None	$ -	$ 2,663,059	$ 10,652,236	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	Other receivables-related parties	Y	931,260	931,260	-	-	Short-term financing	-	Operations	-	None	-	2,663,059	10,652,236	
0	Realtek Semiconductor Corporation	Bluocean Inc.	Other receivables-related parties	Y	1,862,520	1,862,520	1,521,058	2.05	Short-term financing	-	Operations	-	None	-	2,663,059	10,652,236	
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	1,865,520	1,865,520	1,729,039	2.05	Short-term financing	-	Operations	-	None	-	2,663,059	10,652,236	
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	Other receivables-related parties	Y	6,208,400	6,208,400	5,286,565	2.05	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	
2	Amber Universal Inc.	Bluocean Inc.	Other receivables-related parties	Y	1,552,100	1,552,100	1,552,100	2.05	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	
3	Cortina Access, Inc.	Leading Enterprises Limited	Other receivables-related parties	Y	931,260	931,260	698,445	2.72	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	
4	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	Other receivables-related parties	Y	931,260	931,260	-	-	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	
5	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	Other receivables-related parties	Y	3,104,200	3,104,200	-	-	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Loans to others

For the nine-month period ended September 30, 2019

Table 1

Expressed in thousands of NTD
(Except as otherwise indicated)

No (Note 1)	Creditor	Borrower	General ledger account	Is a related party	Maximum outstanding balance during the nine-month period ended September 30, 2019 (Note 3)	Balance at September 30, 2019	Actual amount drawn down (Note 4)	Interest rate	Nature of loan	Amount of transactions with the borrower	Reason for short-term financial	Allowance for doubtful accounts	Collateral		Limit on loans granted to a single party	Ceiling on total loans granted (Note 2)	Footnote
													Item	Value			
6	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	Other receivables-related parties	Y	$ 348,808	$ 348,808	$ -	-	Short-term financing	$ -	Operations	$ -	None	$ -	$ 10,652,236	$ 10,652,236	
6	Realsil Microelectronics Corp.	Suzhou Hongwei Microelectronic Corp.	Other receivables-related parties	Y	348,808	348,808	-	-	Short-term financing	-	Operations	-	None	-	10,652,236	10,652,236	

Note 1: The numbers filled in for the loans provided by the Company or subsidiaries are as follows:

(1) The Company is ‘0’.

(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: The Company’s “Procedures for Provision of Loans” are as follows:

(1) Ceiling on total loans granted by the Company to all parties is 40% of the Company’s net assets value as per its most recent financial statements.

(2) Limit on loans to a single party with business transactions is the business transactions occurred between the creditor and borrower in the current year. The business transaction amount is the higher of purchasing and selling during current year on the year of financing.

(3) For companies needing for short-term financing, the cumulative lending amount may not exceed 40% of the borrowing company’s net assets based on its latest financial statements audited or reviewed by independent accountants.

The amount the Company or its subsidiaries lend to an individual entity may not exceed 10% of the Company’s or subsidiary’s net assets based on its latest financial statements audited or reviewed by independent accountants.

For the foreign companies which the Company holds 100% of the voting rights directly or indirectly, limit on loans is not restricted as stipulated in the above item (3). However, the ceiling on total loans and limit on loans to a single party may not exceed 40% of the Company’s net assets based on its latest financial statements audited or reviewed by independent accountants.

Note 3: Accumulated maximum outstanding balance of loans to others as of the reporting month of the current period.

Note 4: Fill in the actual amount of loans to others used by the borrowing company.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Provision of endorsements and guarantees to others

For the nine-month period ended September 30, 2019

Table 2

Expressed in thousands of NTD

(Except as otherwise indicated)

Number (Note 1)	Endorser/ guarantor	Party being endorsed/guaranteed: Company name	Party being endorsed/guaranteed: Relationship with the endorser/ guarantor (Note 2)	Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as of September 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2019 (Note 5)	Actual amont drawn down (Note 6)	Amount of endorsements/ gurantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote
0	Realtek Semiconductor Corporation	Realtek Singapore Private Limited	2	$ 13,315,295	$ 2,663,059	$ 2,663,059	$ -	$ -	0.10	$ 13,315,295	Y	N	N	
0	Realtek Semiconductor Corporation	Leading Enterprises Limited	2	13,315,295	7,989,177	7,989,177	-	-	0.30	13,315,295	Y	N	N	
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	2	13,315,295	798,918	798,918	-	-	0.03	13,315,295	Y	N	Y	
1	Leading Enterprises Limited	Realsil Microelectronics Corp.	2	13,315,295	620,840	620,840	-	-	0.02	13,315,295	N	N	Y	
2	Realsil Microelectronics Corp.	RayMX Microelectronics Corp.	2	13,315,295	620,840	620,840	-	-	0.02	13,315,295	N	N	Y	

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company or subsidiaries are as follows:

(1)The Company is '0'.

(2)The subsidiaries are numbered in order starting from '1'.

Note 2: Relationship between the endorser/guarantor and the party being endorsed/guaranteed is classified into the following six categories:

(1) Having business relationship.

(2) The endorser/guarantor parent company owns directly and indirectly more than 50% voting shares of the endorsed/guaranteed subsidiary.

(3) The endorsed/guaranteed company owns directly and indirectly more than 50% voting shares of the endorser/guarantor parent company.

(4) The endorser/guarantor parent company owns directly and indirectly more than 90% voting shares of the endorsed/guaranteed company.

(5) Mutual guarantee of the trade as required by the construction contract.

(6) Due to joint venture, each shareholder provides endorsements/guarantees to the endorsed/guaranteed company in proportion to its ownership.

(7) Joint guarantee of the performance guarantee for pre-sold home sales contract as required under the Consumer Protection Act.

Note 3: Ceiling on total endorsements/guarantees granted by the Company and subsidiaries is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants, and limit on endorsements/guarantees to a single party is 50% of the Company's net asset based on the latest financial statements audited or reviewed by independent accountants.

Note 4: Fill in the year-to-date maximum outstanding balance of endorsements/guarantees provided as of the reporting period.

Note 5: Fill in the amount approved by the Board of Directors or the chairman if the chairman has been authorised by the Board of Directors based on subparagraph 8, Article 12 of the Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies.

Note 6: Fill in the actual amount of endorsements/guarantees used by the endorsed/guaranteed company.

		Party being endorsed/guaranteed												
Number (Note 1)	Endorser/ guarantor	Company name	Relationship with the endorser/ guarantor (Note 2)	Limited on endorsements/ guarantees provided for a single party (Note 3)	Maximum outstanding endorsement/ amount as of September 30, 2019 (Note 4)	Outstanding endorsement/ guarantee amount at September 30, 2019 (Note 5)	Actual amont drawn down (Note 6)	Amount of endorsements/ gurantees secured with collateral	Ratio of accumulated endorsement/ guarantee amount to net asset value of the endorser/ guarantor company	Ceiling on total amount of endorsements/ guarantees provided (Note 3)	Provision of endorsements/ guarantees by parent company to subsidiary (Note 7)	Provision of endorsements/ guarantees by subsidiary to parent company (Note 7)	Provision of endorsements/ guarantees to the party in Mainland China (Note 7)	Footnote

Note 7: Fill in ‘Y’ for those cases of provision of endorsements/guarantees by listed parent company to subsidiary and provision by subsidiary to listed parent company, and provision to the party in Mainland China.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securies (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of September 30, 2019 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Realtek Semiconductor Corporation	C-media Electronics Inc. - Common stock	Other related parties	Financial assets at fair value through profit or loss	1,623,501	$ 28,492	2.05%	$ 28,492	
Realking Investment Limited	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	104,748	5.35%	104,748	
Realsun Investment Co., Ltd.	Shieh-Yong Investment Co., Ltd. - Common stock	None	Financial assets at fair value through other comprehensive income	23,124,000	202,012	3.03%	202,012	
Realsun Investment Co., Ltd.	Compal broadband networks Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	3,575,000	104,748	5.35%	104,748	
Leading Enterprises Limited	Fortemedia Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	8,623,301	100,547	6.89%	100,547	
Leading Enterprises Limited	Starix Technology, Inc.-Preferred stock	None	Financial assets at fair value through other comprehensive income	5,000,000	18,625	-	18,625	
Leading Enterprises Limited	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	9,000,000	621,386	12.49%	621,386	
Amber Universal Inc.	Octtasia Investment Holding Inc. - Common stock	None	Financial assets at fair value through other comprehensive income	4,726,836	326,354	6.56%	326,354	
Hung-wei Venture Capital Co., Ltd.	United Microelectronics Corporation - Common stock	None	Financial assets at fair value through other comprehensive income	336,346	4,507	-	4,507	
Hung-wei Venture Capital Co., Ltd.	C-media Electronics Inc.- Common stock	Other related parties	Financial assets at fair value through profit or loss	2,274,875	39,924	2.88%	39,924	
Hung-wei Venture Capital Co., Ltd.	Greatek Electroninc Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	5,823,602	250,124	1.05%	250,124	
Hung-wei Venture Capital Co., Ltd.	Subtron technology Co., Ltd - Common stock	None	Financial assets at fair value through other comprehensive income	1,093,968	13,007	0.33%	13,007	
Hung-wei Venture Capital Co., Ltd.	Embestor Technology Inc. - Common stock	Other related parties	Financial assets at fair value through other comprehensive income	2,800,000	28,000	12.17%	28,000	
Realsil Microelectronics Corp.	Zhou Zhoufa Aggressive Fund	None	Financial assets at fair value through profit or loss	5,381,768	28,582	-	28,582	
Realsil Microelectronics Corp.	Tian Tianjin Aggressive Fund	None	Financial assets at fair value through profit or loss	13,445,278	71,965	-	71,965	
Realtek Semiconductor (Shen Zhen) Corp.	Tian Tianjin Stable Fund	None	Financial assets at fair value through profit or loss	2,398,289	13,111	-	13,111	
Realtek Semiconductor (Shen Zhen) Corp.	Tian Tianjin Aggressive Fund	None	Financial assets at fair value through profit or loss	3,049,551	16,328	-	16,328	
Cortina Network Systems Shanghai Co., Ltd.	Zhou Zhoufa Stable Fund	None	Financial assets at fair value through profit or loss	6,546,951	35,559	-	35,559	
Cortina Network Systems Shanghai Co., Ltd.	Tian Tianjin Stable Fund	None	Financial assets at fair value through profit or loss	3,314,465	18,112	-	18,112	
Cortina Network Systems Shanghai Co., Ltd.	Tian Tianjin Aggressive Fund	None	Financial assets at fair value through profit or loss	4,888,743	26,163	-	26,163	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures)

September 30, 2019

Table 3

Expressed in thousands of NTD
(Except as otherwise indicated)

Securities held by	Marketable securies (Note 1)	Relationship with the securities issuer(Note 2)	General ledger account	As of September 30, 2019 Number of shares	Book value (Note 3)	Ownership (%)	Fair value	Footnote (Note 4)
Bluocean Inc.	CyWeeMotion Group Limited	None	Financial assets at fair value through other comprehensive income	4,800,000	$ -	6.59%	$ -	
RayMX Microelectronics Corp.	Tian Li Bao Money Fund	None	Financial assets at fair value through profit or loss	11,155,617	48,640	-	48,640	

Note 1: Marketable securities in the table refer to stocks, bonds, beneficiary certificates and other related derivative securities within the scope of IFRS 9 'Financial instrument'.

Note 2: Leave the column blank if the issuer of marketable securities is non-related party.

Note 3: Fill in the amount after adjusted at fair value and deducted by accumulated impairment for the marketable securities measured at fair value; fill in the acquisition cost or amortised cost deducted by accumulated impairment for the marketable securities not measured at fair value.

Note 4: The number of shares of securities and their amounts pledged as security or pledged for loans and their restrictions on use under some agreements should be stated in the footnote if the securities presented herein have such conditions.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Acquisition or sale of the same security with the accumulated cost exceeding $300 million or 20% of the Company's paid-in capital

For the nine-month periods ended September 30, 2019

Table 4

Expressed in thousands of NTD

(Except as otherwise indicated)

					Balance as at January 1, 2019		Addition		Disposal				Balance as at September 30,2019	
Investor	Marketable securities	General ledger account	Counterparty	Relationship with the investor	Number of shares	Amount	Number of shares	Amount	Number of shares	Selling price	Book value	Gain (loss) on disposal	Number of shares	Amount
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	Equity investments under the equity method	Ubilinx Technology Inc.	Investee company accounted for under the equity method	26,000,000	$ 799,058	12,000,000	$ 380,538	-	$ -	$ -	$ -	38,000,000	$ 1,179,596

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more

For the nine-month period ended September 30, 2019

Table 5

Expressed in thousands of NTD
(Except as otherwise indicated)

			Transaction				Differences in transaction terms compared to third party transactions		Notes/accounts receivable(payable)		
Purchase/seller	Counterparty	Relationship with the counterparty	Purchase (sales)	Amount	Percentage of total purchase (sales)	Credit term	Unit price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Footnote
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	(Sales)	($ 3,885,468)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	$ 1,222,335	11%	
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	(Sales)	(3,954,678)	(9%)	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	891,347	8%	
Realtek Semiconductor Corporation	Greatek Electronics Inc.	Other related parties	Purchase	730,833	3%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(263,098)	(3%)	
Realtek Singapore Private Limited	Greatek Electronics Inc.	Other related parties	Purchase	274,209	1%	Approximately the same with third party transactions	Approximately the same with third party transactions	Approximately the same with third party transactions	(40,783)	(1%)	

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Receivable from related parties reaching NT$100 million or 20% of paid-in capital or more

September 30, 2019

Table 6

Expressed in thousands of NTD

(Except as otherwise indicated)

Creditor	Counterparty	Relationship with the counterparty	Balance as at September 30, 2019	Turnover rate	Overdue receivables: Amount	Overdue receivables: Action taken	Amount collected subsequent to the balance sheet date	Allowance for doubtful accounts
Realtek Semiconductor Corporation	G.M.I Technology Inc.	Other related parties	$ 1,222,335	4.70	$ -	-	$ 439,733	$ 12,347
Realtek Singapore Private Limited	G.M.I Technology Inc.	Other related parties	891,347	6.47	-	-	321,486	-

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Significant inter-company transactions during the reporting periods:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
0	Realtek Semiconductor Corporation	Bluocean Inc.	1	Other receivables	$ 1,521,058	Fund lending is in accordance with loan agreement terms.	2.04%
0	Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	1	Other receivables	1,729,039	Fund lending is in accordance with loan agreement terms.	2.32%
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Other receivables	50,902	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.07%
0	Realtek Semiconductor Corporation	RayMX Microelectronics Corp.	1	Sales revenue	65,119	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.15%
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	3	Other receivables	5,286,565	Fund lending is in accordance with loan agreement terms.	7.09%
1	Leading Enterprises Limited	Talent Eagle Enterprise Inc.	3	Interest revenue	58,255	Fund lending is in accordance with loan agreement terms.	0.13%
1	Leading Enterprises Limited	Bluocean Inc.	3	Interest revenue	14,906	Fund lending is in accordance with loan agreement terms.	0.03%
1	Leading Enterprises Limited	Realtek Semiconductor Corporation	2	Interest expense	5,280	Fund lending is in accordance with loan agreement terms.	0.01%
1	Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	34,211	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.08%
2	Amber Universal Inc.	Bluocean Inc.	3	Other receivables	1,552,100	Fund lending is in accordance with loan agreement terms.	2.08%
3	Bluocean Inc.	Realtek Semiconductor Corporation	2	Interest expense	14,841	Fund lending is in accordance with loan agreement terms.	0.03%
4	Talent Eagle Enterprise Inc.	Realtek Semiconductor Corporation	2	Interest expense	28,535	Fund lending is in accordance with loan agreement terms.	0.06%

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Significant inter-company transactions during the reporting periods:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
5	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Technical service fees	$ 1,068,486	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	2.43%
5	Realtek Singapore Private Limited	Realsil Microelectronics Corp.	3	Other payables	730,081	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.98%
5	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Technical service fees	229,144	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.52%
5	Realtek Singapore Private Limited	Realtek Semiconductor (Shen Zhen) Corp.	3	Other payables	160,798	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.22%
5	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Technical service fees	161,393	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.37%
5	Realtek Singapore Private Limited	Cortina Access, Inc.	3	Other payables	16,531	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.02%
5	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	3	Technical service fees	78,666	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.18%

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Significant inter-company transactions during the reporting periods:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)
5	Realtek Singapore Private Limited	Cortina Network Systems Shanghai Co., Ltd.	3	Other payables	78,593	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.11%

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Significant inter-company transactions during the reporting periods:

Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	Transaction: General ledger account	Transaction: Amount	Transaction: Transaction terms	Transaction: Percentage of consolidated total operating revenues or total assets (Note 3)
5	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Technical service fees	$ 67,633	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.15%
5	Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	3	Other payables	7,575	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.01%
5	Realtek Singapore Private Limited	Realtek Semiconductor (Japan) Corp.	3	Technical service fees	17,276	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.04%
5	Realtek Singapore Private Limited	RayMX Microelectronics Corp.	3	Other receivables	50,503	No similar transaction can be compared with. Transaction prices and terms are determined in accordance with mutual agreement.	0.07%
6	Cortina Access, Inc.	Leading Enterprises Limited	3	Other receivables	698,445	Fund lending is in accordance with loan agreement terms.	0.94%
6	Cortina Access, Inc.	Leading Enterprises Limited	3	Interest revenue	14,118	Fund lending is in accordance with loan agreement terms.	0.03%
7	Realtek Investment Singapore Private Limited	Realtek Singapore Private Limited	3	Interest revenue	12,826	Fund lending is in accordance with loan agreement terms.	0.03%

Note 1: The numbers filled in for the transaction company in respect of inter-company transactions are as follows:
(1) Parent company is ‘0’.
(2) The subsidiaries are numbered in order starting from ‘1’.

Note 2: Relationship between transaction company and counterparty is classified into the following three categories; fill in the number of category each case belongs to (If transactions between parent company and subsidiaries or between subsidiaries refer to the same transaction, it is not required to disclose twice. For example, if the parent company has already disclosed its transaction with a subsidiary, then the subsidiary is not required to disclose the transaction; for transactions between two subsidiaries, if one of the subsidiaries has disclosed the transaction, then the other is not required to disclose the transaction.):
(1) Parent company to subsidiary.
(2) Subsidiary to parent company.
(3) Subsidiary to subsidiary

Note 3: Regarding percentage of transaction amount to consolidated total operating revenues or total assets, it is computed based on period-end balance of transaction to consolidated total assets for balance sheet accounts and based on accumulated transaction amount for the period to consolidated total operating revenues for income statement accounts.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant inter-company transactions during the reporting periods

For the nine-month period ended September 30, 2019

Table 7

Expressed in thousands of NTD

(Except as otherwise indicated)

Significant inter-company transactions during the reporting periods:

				Transaction			
Number (Note 1)	Company name	Counterparty	Relationship (Note 2)	General ledger account	Amount	Transaction terms	Percentage of consolidated total operating revenues or total assets (Note 3)

Note 4: Only transactions above NT$5 million are disclosed. Transactions of related parties are not further disclosed here.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD

(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount: Balance as at September 30, 2019	Initial investment amount: Balance as at December 31, 2018	Shares held as at September 30, 2019: Number of shares	Shares held as at September 30, 2019: Ownership (%)	Shares held as at September 30, 2019: Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
Realtek Semiconductor Corporation	Leading Enterprises Limited	British Virgin Islands	Investment holdings	$ 15,472,264	$ 15,318,249	39,130	100%	$ 11,278,932	$ 125,850	$ 125,850	Subsidiary
Realtek Semiconductor Corporation	Amber Universal Inc.	British Virgin Islands	Investment holdings	4,886,446	4,837,812	41,432	100%	3,352,916	60,187	60,187	Subsidiary
Realtek Semiconductor Corporation	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	2,483,360	2,458,640	80,000,000	89.03%	12,483,227	4,712,456	4,195,500	Subsidiary
Realtek Semiconductor Corporation	Bluocean Inc.	Cayman Islands	Investment holdings	3,416,172	3,382,167	110,050,000	100%	3,556,778	81,651	81,651	Subsidiary
Realtek Semiconductor Corporation	Talent Eagle Enterprise Inc.	Cayman Islands	Investment holdings	3,541,892	3,506,635	114,100,000	100%	2,742,474	(203,349)	(203,349)	Subsidiary
Realtek Semiconductor Corporation	Realtek Investment Singapore Private Limited	Singapore	Investment holdings	6,208,400	6,146,600	200,000,000	100%	6,653,690	162,035	162,035	Subsidiary
Realtek Semiconductor Corporation	Realsun Investments Co., Ltd.	Taiwan	Investment holdings	280,000	280,000	28,000,000	100%	340,754	6,913	6,913	Subsidiary
Realtek Semiconductor Corporation	Hung-wei Venture Capital Co., Ltd.	Taiwan	Investment holdings	250,000	250,000	25,000,000	100%	398,390	21,335	21,335	Subsidiary
Realtek Semiconductor Corporation	Realking Investments Limited	Taiwan	Investment holdings	293,930	293,930	29,392,985	100%	288,850	(189)	(189)	Subsidiary
Realtek Semiconductor Corporation	Realsun Technology Corporatioin	Taiwan	ICs manufacturing, design, research, development, sales, and marketing	5,000	5,000	500,000	100%	5,107	51	51	Subsidiary
Realtek Semiconductor Corporation	Bobitag Inc.	Taiwan	Manufacturing and installation of computer equipment and wholesasle, retail and related services of electronic materials and information/software	19,189	20,000	1,918,910	66.67%	19,347	200	134	Subsidiary
Realtek Semiconductor Corporation	Technology Partner V Venture Capital Corporation	Taiwan	Investment holdings	82,774	84,565	4,178,509	32.43%	24,926	5,097	2,200	Investments accounted for using the equity mothod
Realtek Semiconductor Corporation	Estinet Technologies Incorporation	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components,information/Software and integrated circuits	110,000	110,000	4,000,000	16.10%	40,764	(42,269)	(3,011)	Investments accounted for using the equity mothod
Realtek Semiconductor Corporation	5VTechnologies, Taiwan Ltd.	Taiwan	Research and development, design, manufacturing, sales and other services of electronic components,information/Software and integrated circuits	46,699	46,699	4,669,917	24.42%	7,466	(35,379)	(8,640)	Investments accounted for using the equity mothod
Realking Investments Limited	Innorich Venture Capital Corp.	Taiwan	Venture capital activities	200,000	200,000	20,000,000	37.38%	161,253	(17,840)	(6,669)	Investments accounted for using the equity mothod

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

				Initial investment amount		Shares held as at September 30, 2019					
Investor	Investee	Location	Main business activities	Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value	Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
Leading Enterprises Limited	Realtek Semiconductor (Japan) Corp.	Japan	ICs deign,sales, and consultancy	5,757	5,568	400	100%	10,011	7,611	7,611	Sub-Subsidiary

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investees

For the nine-month period ended September 30, 2019

Table 8

Expressed in thousands of NTD
(Except as otherwise indicated)

Investor	Investee	Location	Main business activities	Initial investment amount		Shares held as at September 30, 2019			Net profit (loss) of the investee for the nine-month period ended September 30, 2019	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019	Footnote
				Balance as at September 30, 2019	Balance as at December 31, 2018	Number of shares	Ownership (%)	Book value			
Leading Enterprises Limited	Circon Universal Inc.	Mauritius	Investment holdings	2,011,522	1,991,498	64,800,000	100%	8,347	(51)	(51)	Sub-Subsidiary
Leading Enterprises Limited	Realtek Singapore Private Limited	Singapore	ICs manufacturing, design, research, development, sales, and marketing	$ 1,296,676	$ 1,283,769	9,856,425	10.97%	$ 1,542,042	$ 4,712,456	$ 516,956	Sub-Subsidiary
Amber Universal Inc.	Realtek Semiconductor (HK) Limited	Hong Kong	Information services and technical support	5,939	5,886	-	100%	1,186	(26)	(26)	Sub-Subsidiary
Realtek Singapore Private Limited	Empsonic Enterprises Inc.	Mauritius	Investment holdings	876,937	868,207	2,825,000	100%	1,453,039	83,000	83,000	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Access Inc.	U.S.A	R&D and information services	1,267,942	1,255,320	16,892	100%	1,177,955	22,736	22,736	Sub-Subsidiary
Realtek Singapore Private Limited	Cortina Systems Taiwan Limited	Taiwan	R&D and technical support	62,084	61,466	21,130,000	100%	68,124	5,833	5,833	Sub-Subsidiary
Realtek Singapore Private Limited	Realtek Viet Nam Co., Ltd.	Vietnam	R&D and technical support	31,042	30,733	1,000,000	100%	22,821	(6,597)	(6,597)	Sub-Subsidiary
Talent Eagle Enterprise Inc.	Ubilinx Technology Inc.	U.S.A	R&D and information services	1,179,596	799,058	38,000,000	100%	101,988	(294,557)	(294,557)	Sub-Subsidiary

Note 1：The amount of foreign currencies denominated in New Taiwan dollars in this table, which related to income and expenses were re-translated at the average exchange rate from January 1, 2019 to September 30, 2019, others were re-translated at the exchange rate prevailing at the end of the financial reporting period.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Information on investments in Mainland China

For the nine-month period ended September 30, 2019

Table 9

Expressed in thousands of NTD
(Except as otherwise indicated)

Investee in Mainland China	Main business activities	Paid-in Capital	Investment method (Note1)	Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2019	Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the nine-month period ended September 30, 2019		Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Net income of investee for the nine-month period ended September 30, 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognised by the Company for the nine-month period ended September 30, 2019 (Note2(2C))	Book value of investment in Mainland China as of September 30, 2019	Accumulated amount of investment income remitted back to Taiwan as of September 30, 2019	Footnote
					Remitted to Mainland China	Remitted back to Taiwan							
Cortina Network Systems Shanghai Co., Ltd.	R&D and technical support	$ 111,751	2	$ 111,751	$ -	$ -	$ 111,751	$ 6,668	100%	$ 6,668	$ 107,400	$ -	
Realsil Microelectronics Corp.	R&D and technical support	869,176	2	869,176	-	-	869,176	84,507	100%	84,507	1,448,063	-	
Realtek Semiconductor (Shen Zhen) Corp.	R&D and technical support	155,210	2	155,210	-	-	155,210	8,233	100%	8,233	242,541	-	
RayMX Microelectronics Corp.	ICs manufacturing, design, research, development, sales, and marketing	114,454	2	114,454	-	-	114,454	13,516	100%	13,516	126,394	-	

Company name	Accumulated amount of remittance from Taiwan to Mainland China as of September 30, 2019	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA)	Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA
Cortina Network Systems Shanghai Co., Ltd.	$ 111,751	$ 111,751	$ 15,984,158
Realsil Microlectronics Corp.	869,176	869,176	
Realtek Semiconductor (Shan Zhen) Corp.	155,210	155,210	
RayMX Microelectronics Corp.	114,454	114,454	

Note 1: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:
(1) Directly invest in a company in Mainland China.
(2) Through investing in an existing company in the third area, which then invested in the investee in Mainland China.
(3) Others.

Note 2: In the 'Investment income (loss) recognised by the Company for the for the nine-month period ended September 30, 2019' column:
(1) It should be indicated if the investee was still in the incorporation arrangements and had not yet any profit during this period.
(2) Indicate the basis for investment income (loss) recognition in the number of one of the following three categories:
A. The financial statements that are reviewed by international accounting firm which has cooperative relationship with accounting firm in R.O.C.
B. The financial statements that are reviewed and by R.O.C. parent company's CPA.
C. Others.(Seif-edit financial statements)

Note 3: The numbers in this table are expressed in New Taiwan Dollars.

REALTEK SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas

For the nine-month period ended September 30, 2019

Table 10

Expressed in thousands of NTD

(Except as otherwise indicated)

	Technical service fees	Sales (purchase)		Accounts receivable (payable)		Provision of endorsements/guarantees or collaterals		Financing				
Investee in Mainland China	Amount	Amount	%	Balance at September 30, 2019	%	Balance at September 30, 2019	Purpose	Maximum balance during the for the nine-month period ended September 30, 2019	Balance at September 30, 2019	Interest rate	Interest during the for the nine-month period ended September 30, 2019	Others
Realsil Microelectronics Corp.	$ 1,068,486	$ -	-	$ 730,081	0.98	$ 620,840	Operations	$ 931,260	$ 931,260	-	$ -	
Realtek Semicomductor (Shen Zhen) Corp.	229,144	-	-	160,798	0.22	-	-	-	-	-	-	
Cortina Network Systems Shanghai Co., Ltd.	78,666	-	-	78,593	0.11	-	-	-	-	-	-	
RayMX Microelectronics Corp.	-	(65,119)	0.15	(101,405)	0.14	1,419,758	Operations	348,808	348,808	-	-	